

June 26, 2000  
Bank of Japan

**Monthly Report of  
Recent Economic and Financial Developments**  
June 2000

(English translation prepared by the Bank staff based on the Japanese original  
released on June 14, 2000)

# Monthly Report of Recent Economic and Financial Developments<sup>1</sup>

June 2000

## The Bank's View<sup>2</sup>

The improvement in Japan's economy is becoming distinct. Recovery has been observed in some areas of private demand, with business fixed investment continuing to increase.

With regard to exogenous demand, net exports (real exports minus real imports) continue to follow an upward trend due to steady developments in overseas economies, and public investment is picking up reflecting the progress in the implementation of the supplementary budget for fiscal 1999. As regards domestic private demand, housing investment is on a moderate declining trend, and the recovery in private consumption continues to be weak through lack of notable improvements in employment and income conditions. Meanwhile, business fixed investment is increasing.

Reflecting such developments in final demand, industrial production is increasing, and corporate profits and sentiment continue to improve. Firms as a whole still strongly feel that they have excess capacity and employees, and that they should reduce their debts to restore financial soundness. Nevertheless, the number of firms that take positive action, such as increasing the amount of fixed investment, has been increasing, especially in high-growth sectors. Regarding employment conditions, although the decrease in the number of employees and in wages is slowing, efforts by firms to reduce personnel expenses have prolonged the severity of households' income conditions.

As for the outlook, public investment is likely to increase for some time. This, along with the favorable financial environment created partly by the Bank's monetary easing, is expected to continue underpinning the economy. Moreover, net exports are likely to follow an upward trend reflecting the recovery of overseas economies, and it is also highly probable that business fixed investment will increase gradually with an improvement in corporate

---

<sup>1</sup> This report was written based on data and information available when the Bank of Japan Monetary Policy Meeting was held on June 12, 2000.

<sup>2</sup> The Bank's view on recent economic and financial developments, determined by the Policy Board at the Monetary Policy Meeting held on June 12, 2000 as the basis of monetary policy decisions.

profits and sentiment. However, housing investment is expected to decline for the time being. While there seems to be no substantial change in firms' stance to reduce personnel expenses, an improvement in households' income conditions, which should support private consumption, is likely to be moderate at the most. In addition, since firms' prospects for sales remain modest, careful monitoring is still required to determine whether the recovery in business fixed investment is sustainable and whether it is likely to spread to a wider range of industries.

With regard to prices, import prices are decreasing slightly, reflecting a temporary decline in international commodity prices such as crude oil prices. Domestic wholesale prices, notwithstanding the fall in prices of electric machinery, are unchanged mainly due to the rise in prices of petroleum and chemical products reflecting the increase in crude oil prices to date. Meanwhile, consumer prices continue to be somewhat weak owing to the slight decrease in the prices of private-sector services and the decline in prices of imported products reflecting the past appreciation of the yen. Corporate service prices are still falling slowly.

As for the outlook, upward pressure on prices is likely to arise from the gradual improvement in domestic supply-demand balance and from the rise in crude oil prices. On the other hand, downward pressure is expected from the long-term declining trend of machinery prices due to technological innovations and from the fall in prices of imported products reflecting the past appreciation of the yen. On balance, overall prices are likely to remain unchanged. However, attention should still be paid to the downward pressure on prices stemming from weak demand, although the pressure has weakened given some recovery in private demand.

In the financial market, the overnight call rate has generally stayed near zero, and financial institutions have been confident about the availability of overnight funds. The amount of funds outstanding in the call money market is declining gradually.

Interest rates on term instruments basically continue to be stable but have increased somewhat from the start of June. The Japan premium remains negligible.

Yields on long-term government bonds have been moving in the range of 1.6-1.8 percent. The yield spread between private bonds (bank debentures and corporate bonds) and government bonds remains mostly unchanged.

Stock prices fell sharply until the end of May triggered by the drop in U.S. stocks but have recovered thereafter.

In the foreign exchange market, the yen temporarily rose to around 110 yen in mid-May but then strengthened against the U.S. dollar. The yen is currently being traded in the range of 105-107 yen.

With regard to corporate finance, private banks have basically retained their cautious lending attitude. However, constraint that had been caused by severe fund-raising conditions and insufficient capital base has eased considerably. Given this, major banks are becoming more active in extending loans, while carefully evaluating the credit risks involved.

On the other hand, the improvement in economic activities has not stimulated corporate demand for external funds, since firms' cash flow is increasing in parallel with a recovery in profits. Moreover, firms continue to reduce debts as part of their balance-sheet restructuring measures. As a result, credit demand in the private sector has continued to be basically stagnant.

In view of this, the underlying tone of private banks' lending remains sluggish. Issuance of corporate bonds and CP has been steady.

Money stock ( $M_2 + \text{CDs}$ ) grew slower in May compared with the previous month on a year-on-year basis.

In this financial environment, corporate financing conditions are easing, and the lending attitude of financial institutions is perceived by firms as less severe. It continues to warrant careful monitoring how these favorable developments in corporate financing environment will affect economic activities.

## The Background

### 1. Japan's Economy

With regard to public investment (Chart 2), the value of public works contracted, which reflects orders, declined substantially in April 2000 since the contracts for the implementation of the supplementary budget for fiscal 1999 concentrated in March. Nevertheless, the actual implementation of public works is apparently increasing due to the high level of orders to date. As for the outlook, public investment is expected to continue increasing gradually for the time being.

Real exports (Charts 3 to 5) are on a rising trend, mostly due to increases in exports of information-related goods to Asia and automobiles to the U.S. Real imports are also gradually increasing, especially those of information-related goods and consumer goods.

As a result of these import and export developments, net exports (real exports – real imports) in terms of the real trade balance<sup>3</sup> remain on an increasing trend.

As for the future environment for foreign trade, the real effective exchange rate of the yen has recently been basically steady (Chart 6(1)). Regarding the foreign demand conditions, however, the U.S. economy is expected to remain firm, and the recoveries in the European, NIEs, and ASEAN economies are becoming more distinct (Chart 6(2)). Reflecting these developments, there is a high probability that net exports will continue rising moderately for some time. Nevertheless, the outlook for overseas economies continues to warrant careful monitoring, as the continued expansion of the U.S. economy is apparently supported, to a large extent, by the wealth effect from the rise in stock prices.

Business fixed investment continues to increase. Shipments of general capital goods, which move almost simultaneously with machinery investment, declined slightly by 3.2 percent in April compared to the level posted in the first quarter of 2000--after consumers refrained from purchasing computers due to concerns about the Year 2000 problem, computer sales had rebounded in the first quarter but this rebound subsided in April.

---

<sup>3</sup> Strictly speaking, the real trade balance presented in Chart 3 (2) differs from net exports on a GDP basis, but the changes in the real trade balance are broadly in line with those of net exports. (The real trade balance is on a customs-clearance basis and does not include the trade in services, while net exports of GDP statistics are on an ownership-transfer basis and include the trade in services).

According to the *Financial Statements Statistics of Corporations by Industry, Quarterly* (Chart 7), overall business fixed investment increased on a quarter-to-quarter basis in the first quarter of 2000, since business fixed investment by large and small nonmanufacturing firms increased, while that by large and small manufacturing firms was almost unchanged. Among leading indicators (Chart 8), nonresidential construction starts surged by 15.2 percent in the first quarter on a seasonally adjusted quarter-to-quarter basis, in part owing to large-scale redevelopment projects in the nonmanufacturing industries, but then declined slightly by 4.0 percent in April compared to the first-quarter level. Machinery orders (private demand; excluding shipbuilding and electric power equipment) increased on a seasonally adjusted quarter-to-quarter basis by 8.7 percent in the fourth quarter of 1999 and by 4.9 percent in the first quarter of 2000, but then declined by 4.6 percent in April compared to the first-quarter level.

As for the outlook, the environment surrounding business fixed investment is expected to continue improving in terms of firms' profitability and financing conditions (Chart 9). In these circumstances, an increasing number of firms have recently started to expand their capacities in the industries enjoying an extremely strong increase in demand, such as electronics parts.<sup>4</sup> At many firms, however, prospects for sales remain modest, and there are still strong perceptions of excess equipment in the corporate sector overall. Under these conditions, careful monitoring is still required to determine whether the recovery in business fixed investment is sustainable and whether it is likely to spread to a wider range of industries.

The recovery in private consumption remains weak as a whole, although there have been somewhat positive developments in certain areas. According to sales indicators (Chart 10), sales of household electric appliances remain at a high level, mainly due to firm sales of personal computers,<sup>5</sup> and the number of passenger-car sales has also been recovering compared to the level at the end of 1999. Outlays for travel are on a recovery trend as well,

---

<sup>4</sup> According to company interviews, some firms in electronics parts-related industries are front-loading their business fixed investment and making upward revisions to their investment plans, reflecting strong demand.

<sup>5</sup> Sales of household electric appliances dropped temporarily in April, mainly due to the reduction in sales of personal computers, but this might be attributable to the low levels of inventories caused by the restricted production of existing models prior to the introduction of new models from the following month.

following the slump caused by the Year 2000 problem. Sales at department stores, however, have recently been stagnant, and sales at chain stores also remain on a declining trend.

As for future consumption trends, while consumer sentiment, which had been flat since the early spring of 1999, is improving gradually again (Chart 11), the recovery in private consumption is likely to remain weak for the time being amid the lack of notable improvements in employment and income conditions.

Housing investment (Chart 12) has been largely unchanged since the beginning of the year, but this is mostly due to a concentration of construction starts of owner-occupied houses, which is considered to be a temporary factor. Disregarding this factor, housing investment apparently remains on a gradual declining trend. (On a seasonally adjusted annual basis, housing starts totaled 1.17 million units in the fourth quarter of 1999, 1.27 million units in the first quarter of 2000, and 1.24 million units in April.)

As for the outlook, construction starts of houses for rent are expected to remain stagnant due to strong perceptions of excess supply. Construction starts of owner-occupied houses are also expected to follow a downward trend for some time, judged from the number of loan applications to the government Housing Loan Corporation.<sup>6</sup> On the other hand, construction starts of housing for sale are likely to be firm for the time being, due to strong condominium sales.

Reflecting these developments in final demand and also because inventory adjustments are probably mostly completed (Chart 13), industrial production remains on an increasing trend (Chart 14),<sup>7</sup> and is expected to remain firm for the time being.

---

<sup>6</sup> Construction starts financed by loans from the government Housing Loan Corporation are likely to decline in the near future because loan applications to the Corporation during its fourth offering period for fiscal 1999 remained at a low level (38,000 applications for the construction of private homes; a decline of 62.5 percent from the previous year), following the low figures during the previous offering period (37,000 applications for the construction of private homes; a decline of 47.2 percent from the previous year).

<sup>7</sup> Industrial production posted a seasonally adjusted quarter-to-quarter increase of 0.8 percent in the first quarter of 2000, but declined slightly in April by 0.4 percent compared to the previous month. In May and June, however, industrial production is projected to rise by 0.4 percent and 0.5 percent, respectively, compared with the previous months.

Employment and income conditions remain harsh overall, although the decreases in both the number of regular employees and wages to date are slowing as the economic improvement is becoming more distinct. In the labor market (Chart 15), the ratio of job offers to applicants (seasonally adjusted) in April 2000 was 0.56, improving from 0.53 in the previous month; and the unemployment rate in April (seasonally adjusted) was 4.8 percent, down slightly from 4.9 percent in the previous month. The number of regular employees (on a Monthly Labour Survey basis at establishments with at least five employees) remained flat at a level slightly below the previous year's level. As for wages (Chart 16), nominal wages per employee in April turned to an increase compared to the previous year due to a recovery in overtime payments along with the increase in production and also due to a rise in regular payments. Reflecting these employment and wage developments, compensation of employees in April was above the previous year's level. (The year-to-year increase was 0.5 percent in the first quarter of 2000 and 0.6 percent in April.) As for the outlook, the recovery in production activities is expected to have favorable effects on overtime payments and labor demand. Firms' perceptions of excess employment, however, still remain strong though they are easing, and firms are maintaining a strong stance toward restricting personnel expenses. In these circumstances, an improvement in households' income conditions is likely to be moderate at the most.

## **2. Prices**

With regard to price developments, import prices on a yen basis (Chart 18) are decreasing slightly compared to the level three months earlier, reflecting the temporary decline in international commodity prices, such as crude oil prices.

Domestic wholesale prices (Chart 19) are increasing compared to the previous year because of the rise in petroleum and chemical product prices due to the prior increase in crude oil prices. In terms of the three-month growth rate (adjusted to exclude the effects of seasonal changes in electricity rates<sup>8</sup>), domestic wholesale prices are flat, as petroleum and chemical product prices continue to rise, while the prices of electric machinery are declining.

---

<sup>8</sup> Industrial and commercial electric power consumption charges are set relatively high during July-September, when the consumption volume increases substantially. Here, in order to view the underlying changes in domestic wholesale prices, adjustments are made to exclude such factors that result in large seasonal fluctuations.



(The change in domestic wholesale prices in terms of the three-month growth rate was +0.1 percent in March 2000, +0.2 percent in April, and 0.0 percent in May.)

Corporate service prices (domestic supply-demand factors)<sup>9</sup> (Chart 20) continue to decline slowly on both a year-to-year basis and in terms of the three-month growth rate, mainly due to decreases in the prices for general services and for telecommunications and broadcasting services. (The change in corporate service prices in terms of the three-month growth rate was -0.1 percent in February 2000, -0.2 percent in March, and -0.3 percent in April.)

Consumer prices (excluding perishables; Chart 21) decreased from the previous year, mainly because the prices of imported products continued to decline owing to the past appreciation of the yen.<sup>10</sup> In terms of the three-month growth rate, consumer prices remain somewhat weak because hotel charges, which is categorized as a private-sector service price, declined due to the abolition of the special local consumption tax, although the decline in the prices of goods slowed somewhat due to the rise in petroleum-product prices. (The change in consumer prices excluding perishables in terms of the three-month growth rate was 0.0 percent in February 2000, -0.2 percent in March, and -0.1 percent in April.)

As for land prices, according to the Urban Land Price Index (Chart 22), the prices of both commercial and residential land continue to decline.

Regarding the future environment for prices, upward pressure on prices is likely to arise from the gradual improvement in domestic supply-demand balance and from the prior

---

<sup>9</sup> Corporate service prices (domestic supply-demand factors) only include items whose monthly price changes primarily reflect changes in domestic private demand. Specifically, items with the following properties are removed from the overall CSPI: (1) regulated fees, (2) overseas factors, and (3) fees with a large monthly fluctuation that do not necessarily reflect short-term changes in supply-demand trends. For the detailed calculation, see the footnote in Chart 20.

Incidentally, the year-to-year movement of the overall CSPI in April 2000 was similar to that of CSPI for only domestic supply-demand factors because there were no substantial fluctuations in the items mentioned above. (The year-to-year change in the overall CSPI was -0.6 percent in March 2000 and -0.7 percent in April.)

<sup>10</sup> The year-to-year decline in overall consumer prices including perishables had remained larger than 1.0 percent through the end of 1999, because the prices of fresh vegetables rose sharply from late 1998 but subsequently declined. As the influence from this factor subsided, the year-to-year decline was gradually narrowing, but has recently expanded once again as the prices of some fresh vegetables have dropped due to favorable weather. (The year-to-year change was -0.5 percent in March 2000 and -0.8 percent in April.)

rise in crude oil prices. On the other hand, downward pressure is expected from the long-term declining trend of machinery prices due to technological innovations and from the fall in prices of imported products reflecting the past appreciation of the yen. On balance, overall prices are likely to remain unchanged.<sup>11</sup> However, attention should still be paid to the downward pressure on prices stemming from weak demand, although the pressure has weakened given some recovery in private demand.

### **3. Financial Developments**

#### **(1) Financial Markets**

Interest rate developments in short-term money markets (Charts 23(1) and 24) show that the overnight call rate (uncollateralized) has generally stayed near zero, at around 0.02 percent, and financial institutions have been confident about the availability of overnight funds. The amount of funds outstanding in the call money market is declining gradually.

As for interest rates on term instruments, three-month Euro-yen (TIBOR), TB, and FB rates basically continue to be stable, but have increased somewhat from the start of June. Euro-yen futures rates (the most active contracts; Chart 25) declined through late May, but subsequently rebounded. The Japan premium (Chart 26) remains negligible.

Yields on ten-year government bonds (newly issued; Chart 23(2)) have been moving in the range of 1.6-1.8 percent with some fluctuations, responding to movements on domestic and overseas stock markets. The yield spread between government and private bonds (bank debentures and corporate bonds; Charts 28 and 29) remains mostly unchanged.

Stock prices (Chart 30(1)) fell sharply until the end of May, triggered by the drop in U.S. stocks, but recovered thereafter along with the rebound in U.S. stock prices. The TOPIX (Tokyo Stock Price Index) is currently moving around 1,550-1,600.

---

<sup>11</sup> In greater detail, differences in the composition of price indices may lead to different movements of product price indices. While the domestic wholesale price index, which gives a relatively high weighting to petroleum products, is rising slightly, the consumer price index (excluding agricultural, livestock, and fishery products), which gives a high weighting to imported products, is likely to decline slightly due to the influence from the past appreciation of the yen.

In the foreign exchange market (Chart 31), the yen-dollar exchange rate temporarily rose to around 110 yen in mid-May, but the yen then strengthened against the U.S. dollar. The yen is currently being traded in the range of 105-107 yen to the U.S. dollar.

## **(2) Monetary Aggregates and Corporate Finance**

Money stock (Chart 32) in terms of M2 + CDs grew slower in May compared with the previous month on a year-to-year basis. (The year-to-year growth in M2 + CDs was 2.1 percent in February 2000, 1.9 percent in March, 2.9 percent in April, and 2.2 percent in May.)

The year-to-year growth in the monetary base (currency in circulation + current deposits at the Bank of Japan; Chart 33) decreased in May compared with the previous month.

The lending attitude of private financial institutions is still fundamentally cautious. Nevertheless, the constraint that had been caused by severe fund-raising conditions and insufficient capital bases has eased considerably, and major banks are becoming more active in extending loans, while carefully evaluating the credit risks involved.

As for the credit demand of private firms, the improvement in economic activities has not stimulated corporate demand for external funds, since the level of business fixed investment and other expenditures is presently below firms' cash flow, which is improving along with the profit recovery. In addition, many firms continue to reduce debts as part of their balance-sheet restructuring activities. As a result, the overall credit demand of private firms has continued to be basically stagnant.

Amid these developments, the underlying tone of lending by private banks (monthly average outstanding balance basis; after adjustment for extraordinary factors;<sup>12</sup> Chart 34), consisting of city banks, long-term credit banks, trust banks, regional banks, and regional banks II, remains sluggish. (The year-to-year change was -2.4 percent in February 2000, -2.1 percent in March, -1.8 percent in April, and -2.2 percent in May). Corporate bond and CP issuance (Chart 36) has been steady.

---

<sup>12</sup> The figures are adjusted for (1) fluctuations from the liquidation of loans, (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates, and (3) fluctuations from loan write-offs.

Turning to the funding cost for firms, the average contracted interest rates on new loans and discounts (Chart 38) remained generally steady. Corporate bond issuance rates have been holding at a low level. CP issuance rates have been at an extremely low level, near the historical low.

The number of corporate bankruptcies in April (Chart 39) decreased slightly from the previous month.

In this financial environment, corporate financing conditions are easing, and the lending attitude of financial institutions is perceived by firms as becoming less severe. How these favorable developments in corporate financing will affect economic activities continues to warrant careful monitoring.

## Charts

Chart 1	Main Economic Indexes
Chart 2	Public Investment
Chart 3	External Balance
Chart 4	Real Exports
Chart 5	Real Imports
Chart 6	Overseas Economic Conditions and Real Effective Exchange Rate
Chart 7	Business Fixed Investment
Chart 8	Major Indexes of Business Fixed Investment
Chart 9	Corporate Finance-Related Indexes
Chart 10	Private Consumption
Chart 11	Consumer Confidence and Propensity to Consume
Chart 12	Major Indexes of Housing Investment
Chart 13	Inventory Cycle
Chart 14	Production, Shipments, and Inventories
Chart 15	Labor
Chart 16	Compensation of Employees
Chart 17	Prices
Chart 18	Import Prices and Domestic Commodity Market
Chart 19	Breakdown of Domestic Wholesale Price Index
Chart 20	Breakdown of Corporate Service Price Index
Chart 21	Breakdown of Consumer Price Index (excluding perishables)
Chart 22	Urban Land Price Index
Chart 23	Interest Rates
Chart 24	Short-Term Money Market Rates
Chart 25	Euro-Yen Interest Rates Futures (3-Month)
Chart 26	Japan Premium in the Eurodollar Market
Chart 27	Implied Forward Rates (1-year)
Chart 28	Yields of Bank Debentures
Chart 29	Corporate Bond Yields
Chart 30	Stock Prices
Chart 31	Exchange Rates
Chart 32	Money Stock (M2+CDs, Broadly-Defined Liquidity)
Chart 33	Monetary Base
Chart 34	Lending by Domestic Commercial Banks
Chart 35	Lending Attitude of Financial Institutions as Perceived by Small Enterprises
Chart 36	Private-Sector Fund Raising in the Capital Markets
Chart 37	Lending by Other Financial Institutions
Chart 38	Lending Rates
Chart 39	Corporate Bankruptcies

## Main Economic Indexes (1)

s.a., q/q (m/m) % chg.<sup>1</sup>

	99/Q3	Q4	2000/Q1	2000/February	March	April	May
Index of expenditure level (all households)	-1.9	-1.8	-0.2	0.2	-2.3	p 5.9	n.a.
Sales at department stores	-0.9	-0.2	0.1	-0.2	-1.0	p -1.7	n.a.
Sales at chain stores	-0.2	-1.1	-1.9	1.5	-0.9	-3.5	n.a.
New passenger-car registrations <sup>3</sup> <s.a., ann. 10,000 units>	< 286>	< 287>	< 298>	< 294>	< 285>	< 312>	< 293>
Sales of electric appliances (real, NEBA)	2.7	4.3	7.6	3.9	1.5	-2.4	n.a.
Outlays for travel (50 major travel agencies)	2.2	-4.5	2.8	7.0	0.0	n.a.	n.a.
Housing starts <s.a., ann. 10,000 units>	< 123>	< 117>	< 127>	< 121>	< 124>	< 124>	< n.a.>
Machinery orders (from private sector <sup>4</sup> )	2.3	8.7	4.9	-0.5	-4.9	-1.1	n.a.
Manufacturing	3.1	7.9	4.5	6.0	-8.5	9.3	n.a.
Nonmanufacturing <sup>4</sup>	0.4	10.1	7.9	-3.8	1.7	-11.6	n.a.
Construction Starts (private, nonresidential use)	-2.9	9.7	15.2	-11.8	-4.3	3.6	n.a.
Mining & manufacturing	6.7	7.9	13.3	4.2	-6.2	4.1	n.a.
Nonmanufacturing <sup>5</sup>	-5.3	10.6	13.5	-19.5	-1.0	7.6	n.a.
Value of public works contracts	-3.7	-5.1	27.5	4.9	59.3	-49.8	n.a.
Real exports	6.7	2.5	4.9	5.7	2.1	0.7	n.a.
Real imports	2.6	5.2	0.4	3.6	7.9	-5.1	n.a.
Industrial production	2.7	1.4	0.8	-0.5	2.4	p -0.4	n.a.
Shipments	3.0	2.0	0.5	-0.5	1.8	p -0.3	n.a.
Inventories	-1.1	-1.7	2.4	0.1	1.3	p 0.0	n.a.
Inventories/shipments <s.a., 1995=100>	< 100.9>	< 99.0>	< 100.0>	< 97.6>	< 100.0>	<p 100.2>	< n.a.>
Real GDP	-1.0	-1.6	2.4	n.a.	n.a.	n.a.	n.a.

## Main Economic Indexes (2)

	y/y % chg. <sup>1</sup>						
	99/Q3	Q4	2000/Q1	2000/February	March	April	May
Ratio of job offers to applicants <s.a., times>	<0.47>	<0.49>	<0.52>	<0.52>	<0.53>	<0.56>	<n.a.>
Unemployment rate <s.a., %>	<4.72>	<4.63>	<4.82>	<4.85>	<4.92>	<4.84>	<n.a.>
Overtime working hours <sup>6</sup>	-0.3	1.4	3.5	2.2	5.1	p 4.2	n.a.
Number of employees	-0.4	-0.4	-0.4	-0.1	-0.4	-0.4	n.a.
Number of regularly employed <sup>6</sup>	-0.2	-0.2	-0.2	-0.2	-0.1	p -0.4	n.a.
Nominal wages per person <sup>6</sup>	-0.9	-1.2	0.7	1.1	-0.6	p 1.0	n.a.
Domestic wholesale price index <q/q % chg.> (3-month growth rate)	-1.3 <0.1>	-0.7 <0.1>	-0.1 <0.1>	-0.1 <0.1>	0.1 <0.1>	0.5 <0.2>	0.3 <0.0>
Consumer price index (nationwide) <sup>7</sup> <s.a., q/q % chg.> (3-month growth rate)	0.0 <0.0>	-0.2 <-0.2>	-0.2 <-0.1>	-0.1 <0.0>	-0.3 <-0.2>	-0.4 <-0.1>	n.a. <n.a.>
Corporate service price index <sup>8</sup> <s.a., q/q % chg.> (3-month growth rate)	-1.1 <-0.1>	-0.9 <-0.2>	-0.8 <-0.1>	-0.7 <-0.1>	-0.8 <-0.2>	-0.9 <-0.3>	n.a. <n.a.>
Monetary aggregates (M <sub>2</sub> +CDs) <average outstanding, y/y % chg.>	3.6	3.0	p 2.2	2.1	p 1.9	p 2.9	p 2.2
Number of suspension of transactions with banks	-18.5	3.3	55.4	59.3	51.9	26.8	n.a.

Notes: 1. Excludes the cases indicated inside angle-brackets at the index section.

2. P indicates preliminary figures.

3. Excludes small cars with engine sizes of 660cc or less.

4. Excludes ships and demand from electric power companies.

5. Nonmanufacturing=commerce+services+agriculture & fisheries+public utilities industries, etc.

6. Data for establishments with at least five regular employees.

7. Excludes perishables.

8. Domestic supply-demand factors.

9. For calculation methods of both figures that are seasonally adjusted and indexes processed and compiled by the Bank of Japan, refer to the footnotes of each chart.

Sources: Management and Coordination Agency, "Monthly Report on Family Income and Expenditure Survey,"

"Labour Force Survey," "Consumer Price Index";

Ministry of International Trade and Industry, "Current Survey of Commerce," "Indices of Industrial Production";

Japan Chain Stores Association, "Sales of Chain Stores";

Japan Automobile Dealers Association, "Domestic Sales of Automobiles";

Nippon Electric Big-Stores Association (NEBA), "Sales of Electric Appliances";

Ministry of Transport, "Major Travel Agents' Revenue";

Ministry of Construction, "Monthly of Construction Statistics";

Economic Planning Agency, "Machinery Orders Statistics," "National Income Statistics";

Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";

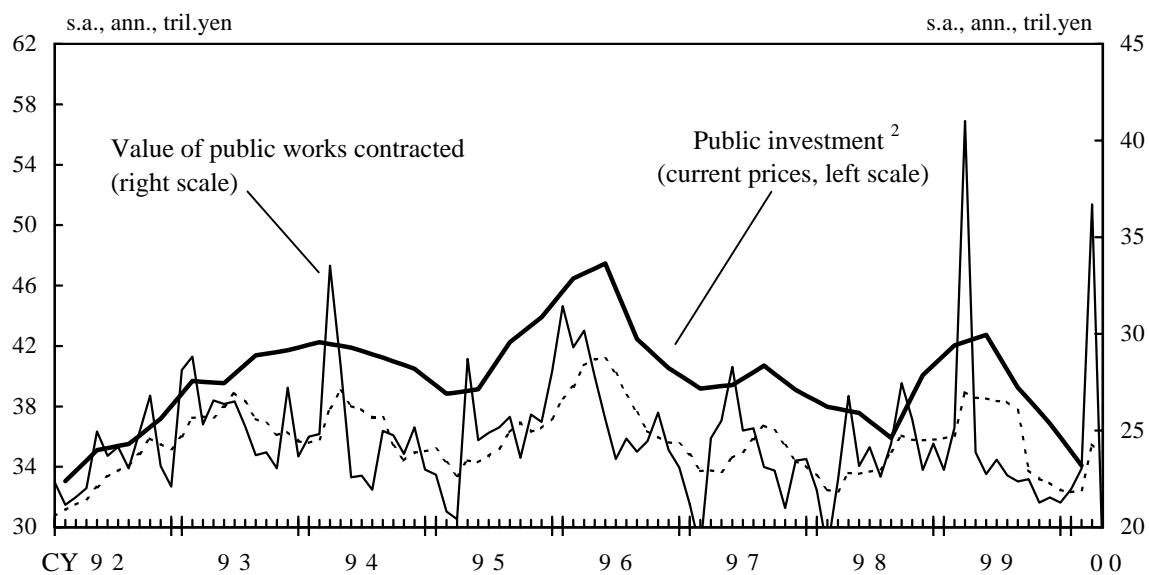
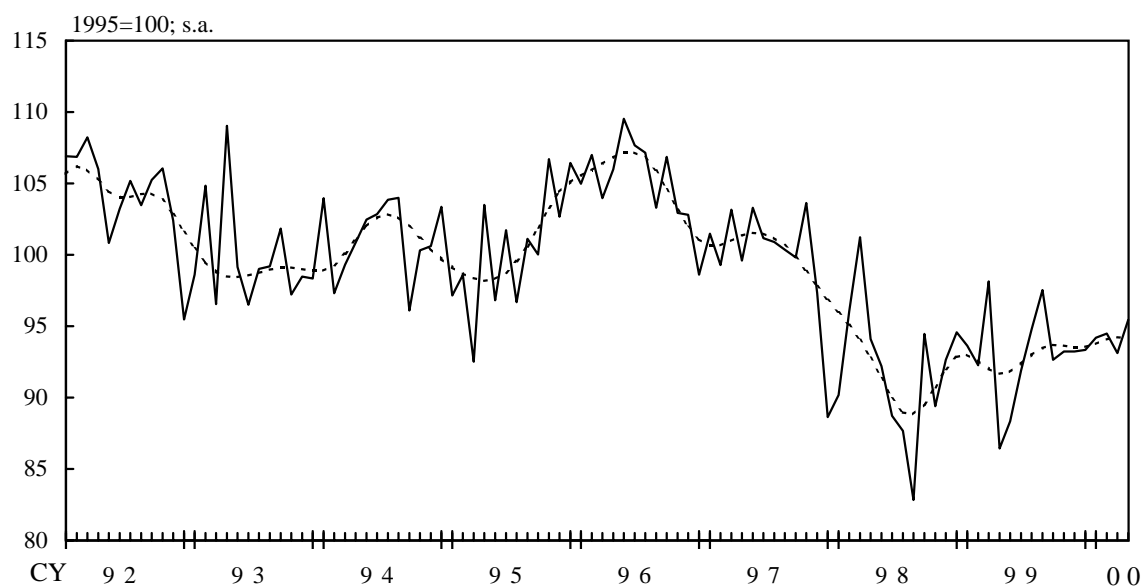
Ministry of Finance, "The Summary Report on Trade of Japan"; Ministry of Labour, "Report on Employment Service,"

"Monthly Labour Survey"; Bank of Japan, "Wholesale Price Indexes," "Corporate Service Price Index,"

"Financial and Economic Statistics Monthly"; Japanese Bankers Associations, "Suspension of Transaction with Banks."

Public Investment<sup>1</sup>

## (1) Value of public works contracted

(2) Shipments of Public Works-related Goods<sup>3,4</sup>

- Notes:
1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version). As the figures are seasonally adjusted on a monthly basis, the data are retroactively revised each month. The dotted line of "value of public works contracted" is the 6 months moving average. The dotted line of "public works-related goods" is the trend cycle factor.
  2. Quarterly basis public investment is plotted at the middle month of each quarter.
  3. In order to follow the monthly movement of public investment, we have compiled the data of shipments of "public works-related goods" by selecting some goods used for public works from "Indices of Industrial Production."
 

The basket of goods used to calculate "public works-related goods" was changed just after the base year of "Indices of Industrial Production" was revised from 1990 to 1995. The goods presently used are asphalt, concrete products for roads, bridges, and cement.

"Public works-related goods" only covers construction investment excluding buildings (which comprises two-thirds of public investment), and does not cover building and machinery investment (which comprises one-third of public investment).

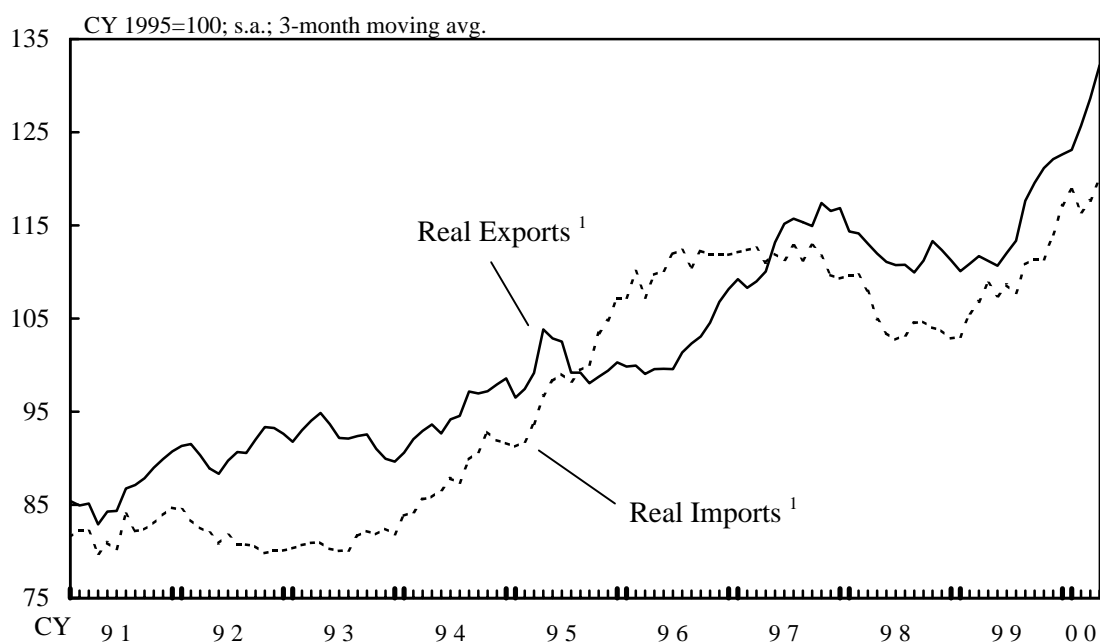
"Public works-related goods" is partly used for private-sector investment.
  4. The data for April 2000 are preliminary.

Sources: Economic Planning Agency, "National Income Statistics";  
 Surety Association for Construction Companies, "Public Works Prepayment Surety Statistics";  
 Ministry of International Trade and Industry, "Indices of Industrial Production."

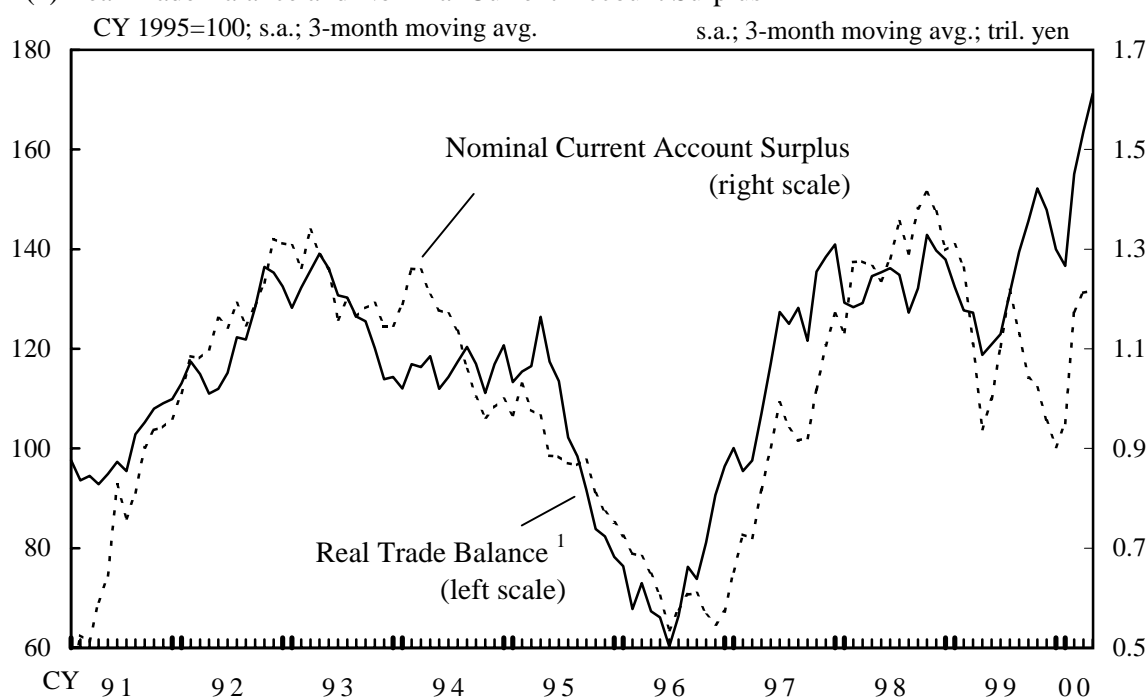


External Balance

(1) Real Exports and Real Imports



(2) Real Trade Balance and Nominal Current Account Surplus



Note: 1. Seasonally adjusted by X-11.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan";  
Bank of Japan, "Balance of Payments Monthly", "Wholesale Price Indexes."

Real Exports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q2	Q3	Q4	2000 Q1	Q2	2000 Feb.	Mar.	Apr.
United States	<30.7>	6.8	4.6	2.1	5.7	-0.1	3.6	6.0	5.3	2.1	2.8
EU	<17.8>	15.6	0.9	-4.5	5.2	2.6	4.3	2.3	5.4	4.3	-2.2
East Asia	<35.8>	-18.1	12.0	3.9	7.8	2.3	12.6	3.5	-1.3	3.6	1.6
China	<5.6>	0.5	12.3	-6.3	8.4	-7.7	19.4	-3.6	11.9	-0.2	-6.9
NIEs	<21.5>	-16.5	11.2	5.6	8.6	5.0	12.7	3.1	-2.9	2.6	2.3
Taiwan	<6.9>	-0.4	7.8	3.7	7.4	6.9	5.8	6.4	4.7	1.0	4.1
Korea	<5.5>	-35.3	43.9	4.4	12.1	9.4	18.8	-2.6	0.4	2.2	-4.1
ASEAN4 <sup>3</sup>	<8.6>	-29.2	13.6	7.0	5.6	2.1	8.6	8.9	-4.7	8.3	5.0
Thailand	<2.7>	-29.4	15.3	0.2	11.4	8.8	-2.0	10.8	-3.5	-0.2	12.4
Real exports		-2.1	4.5	0.3	6.7	2.5	4.9	3.9	5.7	2.1	0.7

## (2) Breakdown by type of good

		y/y % chg.		s.a. q/q % chg.					s.a. m/m % chg.		
		CY 98	99	99 Q2	Q3	Q4	2000 Q1	Q2	2000 Feb.	Mar.	Apr.
Intermediate goods	<14.2>	2.9	5.4	4.2	1.9	-2.3	2.8	0.3	4.1	4.5	-3.8
Motor vehicles and their related goods	<21.5>	1.3	2.8	-3.0	8.4	1.7	-4.0	12.4	17.3	0.5	6.6
Consumer goods <sup>4</sup>	<7.2>	5.0	5.0	-0.9	6.1	4.4	5.1	-1.1	-1.6	-1.7	0.7
Information-related goods <sup>5</sup>	<17.6>	-7.0	6.4	3.2	7.3	2.3	14.7	4.2	4.3	6.0	-1.1
Capital goods and parts <sup>6</sup>	<28.4>	-5.4	1.8	-1.5	7.0	1.4	14.1	3.1	-3.7	4.0	1.7
Real exports		-2.1	4.5	0.3	6.7	2.5	4.9	3.9	5.7	2.1	0.7

Notes: 1. Seasonally adjusted by X-11. 2000/Q2 figures are April figures converted into quarterly amount.

2. Shares of each region and type of good are shown in brackets.

3. Data for four members: Thailand, Malaysia, the Philippines, and Indonesia.

4. Excluding motor vehicles.

5. Information-related goods = automatic data processing machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding information-related goods, power generating machinery and parts of motor vehicles.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

Real Imports <sup>1</sup>

## (1) Breakdown by region

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 98	99	99 Q2	Q3	Q4	2000 Q1	Q2	2000 Feb.	Mar.	Apr.
United States	<21.7>	-3.7	-2.9	-9.2	-0.3	8.8	-5.1	1.0	-0.3	0.5	0.7
EU	<13.8>	-6.5	5.8	-2.4	6.2	3.1	1.0	0.7	1.0	7.5	-4.3
East Asia	<37.6>	-7.7	15.8	5.8	2.8	7.7	7.1	-1.5	6.5	11.2	-9.9
China	<13.8>	-4.4	11.9	4.7	0.4	7.3	12.6	0.0	3.4	24.3	-13.9
NIEs	<11.6>	-10.9	24.2	5.3	4.5	12.3	5.0	-3.1	3.0	9.1	-9.4
Taiwan	<4.1>	-11.1	25.6	5.0	3.0	12.6	15.0	1.7	8.8	8.4	-6.0
Korea	<5.2>	-9.5	30.8	8.6	4.6	18.3	0.7	-9.7	-2.5	3.0	-10.7
ASEAN4 <sup>3</sup>	<12.1>	-8.1	12.6	7.5	3.7	4.0	3.4	-1.6	13.4	0.1	-5.5
Thailand	<2.9>	-7.1	5.4	2.0	1.3	4.0	4.8	2.7	1.8	4.8	-1.0
Real imports		-6.2	6.1	1.7	2.6	5.2	0.4	1.0	3.6	7.9	-5.1

## (2) Breakdown by type of good

		y/y % chg.		s.a. q/q % chg.				s.a. m/m % chg.			
		CY 98	99	99 Q2	Q3	Q4	2000 Q1	Q2	2000 Feb.	Mar.	Apr.
Raw materials <sup>4</sup>	<23.2>	-6.0	2.7	1.4	0.1	1.8	-0.3	-1.6	5.1	8.7	-8.3
Intermediate goods	<13.5>	-7.1	3.6	1.7	4.1	1.1	0.6	0.1	6.3	6.5	-5.8
Foodstuffs	<14.3>	-4.0	2.8	-0.3	0.3	2.9	4.1	-4.9	3.5	1.2	-6.7
Consumer goods	<10.8>	-13.8	8.1	10.2	0.5	6.5	4.1	4.3	0.3	22.1	-8.3
Information-related goods <sup>5</sup>	<14.4>	-5.8	18.7	6.2	4.4	12.4	7.1	4.4	4.7	7.0	-1.7
Capital goods and parts <sup>6</sup>	<12.9>	2.7	5.1	-11.4	1.8	13.6	-5.9	-2.0	-0.9	8.9	-7.0
Real imports		-6.2	6.1	1.7	2.6	5.2	0.4	1.0	3.6	7.9	-5.1

Notes: 1. Seasonally adjusted by X-11. 2000/Q2 figures are April figures converted into quarterly amount.

2. Shares of each region and type of good are shown in brackets.

3. Data for four members: Thailand, Malaysia, the Philippines, and Indonesia.

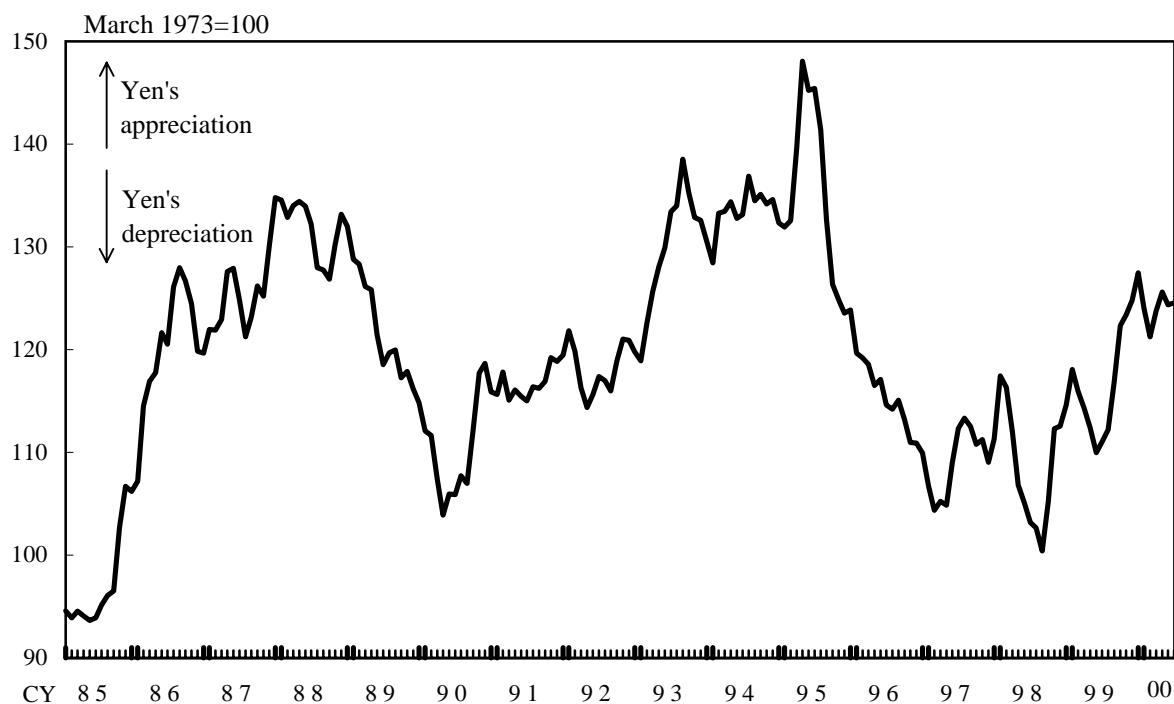
4. Raw materials = woods + ores + mineral fuel, etc.

5. Information-related goods = office machinery + telecommunication machinery + ICs + scientific, medical and optical instruments.

6. Excluding information-related goods.

Sources: Ministry of Finance, "The Summary Report on Trade of Japan"; Bank of Japan, "Wholesale Price Indexes."

## Overseas Economic Conditions and Real Effective Exchange Rate

(1) Real Effective Exchange Rate <sup>1</sup>

Notes: 1. Monthly average. The figure for June 2000 is the average of June 1-9. Calculated by the Bank of Japan.

Figures are the index of weighted average of the yen's real exchange rates versus 24 major currencies which are calculated from exchange rates and price indexes of the respective countries.

## (2) Real GDP Growth Rates in Overseas Economies

		CY98	99	2000	99 Q2	Q3	Q4	2000 Q1	
United States <sup>1</sup>		4.3	4.2	( 4.7)	1.9	5.7	7.3	5.4	
European Union <sup>1</sup>		2.7	2.4	( 3.3)	2.4	4.1	3.2	n.a.	
	Germany	2.2	1.5	( 2.9)	0.5	3.1	2.9	2.7	
	France	3.2	2.9	( 3.7)	3.1	3.9	3.4	2.6	
	United Kingdom	2.2	2.1	( 3.1)	3.0	4.1	3.1	2.2	
East Asia <sup>2</sup>	China	7.8	7.1	( 7.5)	(Jan-Jun) 7.6	(Jan-Sep) 7.4	(Jan-Dec) 7.1	8.1	
	NIEs	Korea	-6.7	10.7	( 7.9)	10.8	12.8	13.0	12.8
		Taiwan	4.6	5.7	( 6.7)	6.6	5.1	6.8	7.9
		Hong Kong	-5.1	3.0	( 5.8)	1.1	4.4	9.2	14.3
	Singapore	0.4	5.4	( 6.2)	6.6	6.9	7.1	9.1	
	4 Countries of ASEAN	Thailand	-10.2	4.2	( 5.5)	2.6	7.4	6.5	n.a.
		Indonesia	-13.0	0.3	( 4.5)	3.7	1.2	5.0	3.2
Malaysia		-7.4	5.6	( 6.9)	4.8	8.5	10.8	11.7	
	Philippines	-0.5	3.3	( 3.8)	3.6	3.8	4.9	3.4	

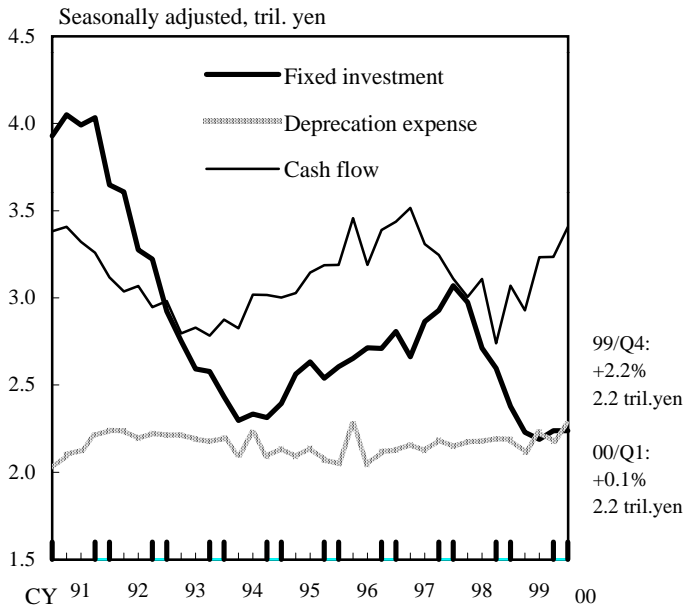
Notes: 1. Quarterly data are quarter-to-quarter percent changes.

2. Quarterly data are percent changes from a year earlier.

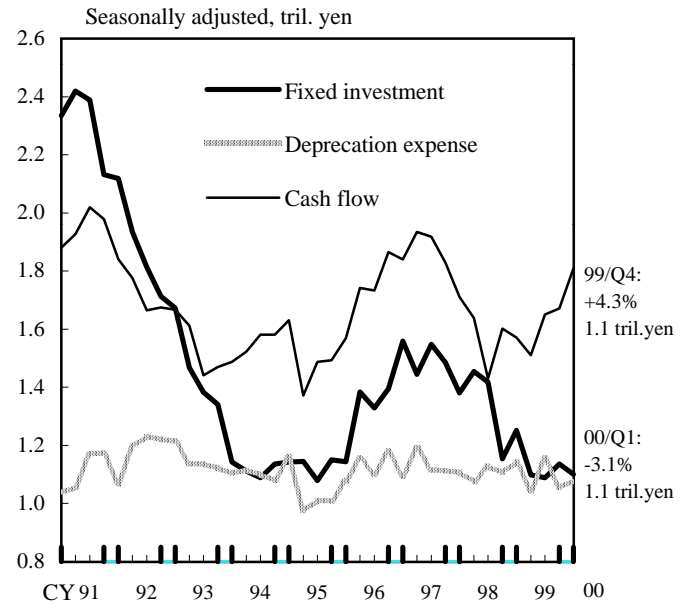
3. Forecasts by "BLUE CHIP ECONOMIC INDICATORS" and "CONSENSUS FORECASTS" are shown in brackets.

Business Fixed Investment

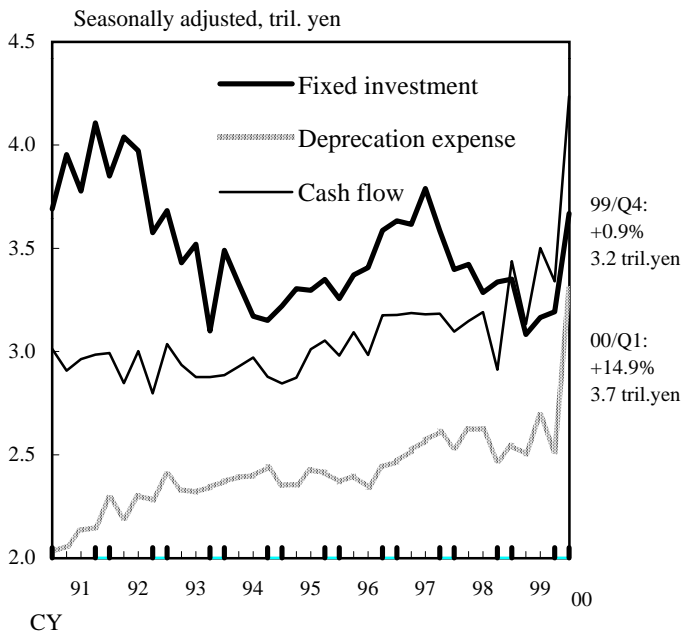
Manufacturing large firms



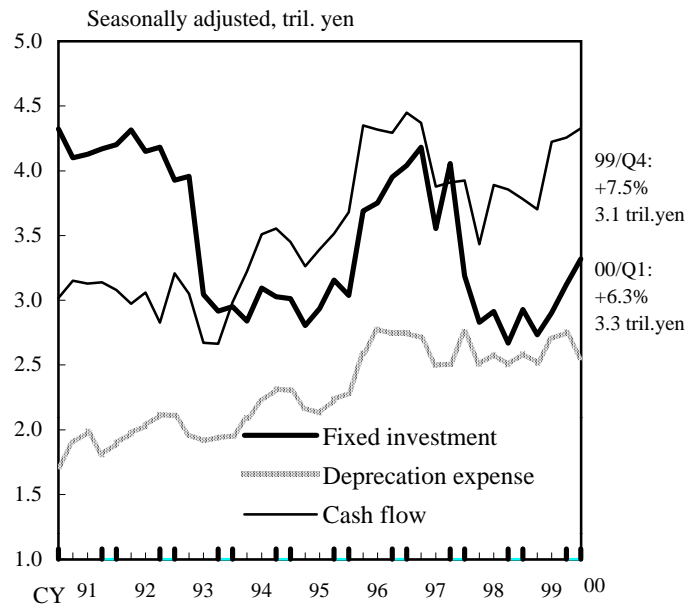
Manufacturing medium and small firms



Nonmanufacturing large firms



Nonmanufacturing medium and small firms

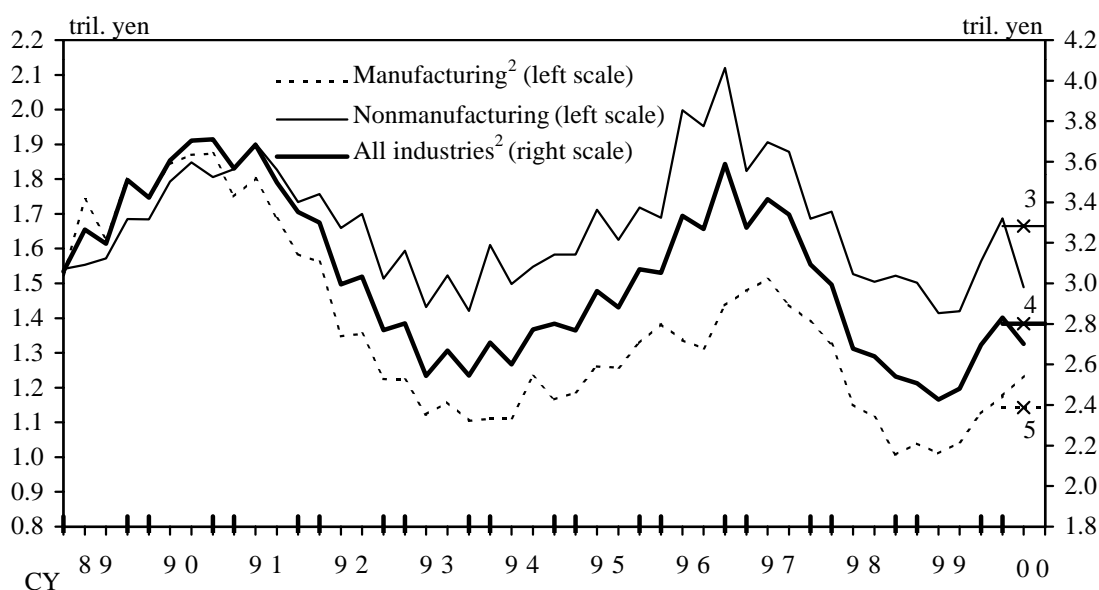


- Notes: 1. Electric, gas, and other service industries are excluded from nonmanufacturing large firms.  
 2. "Large firms" refers to firms with stockholders' equity of 1 billion yen or more, and "medium and small firms" refers to firms with stockholders' equity of 10 million or more but less than 1 billion yen.  
 3. Cash Flow = Ordinary profit ÷ 2 + Depreciation expense

Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry, Quarterly."

Major Indexes of Business Fixed Investment

(1) Machinery Orders<sup>1</sup>



Notes: 1. Seasonally adjusted data.

Figures for 2000/Q2 are data of April in terms of quarterly amount.

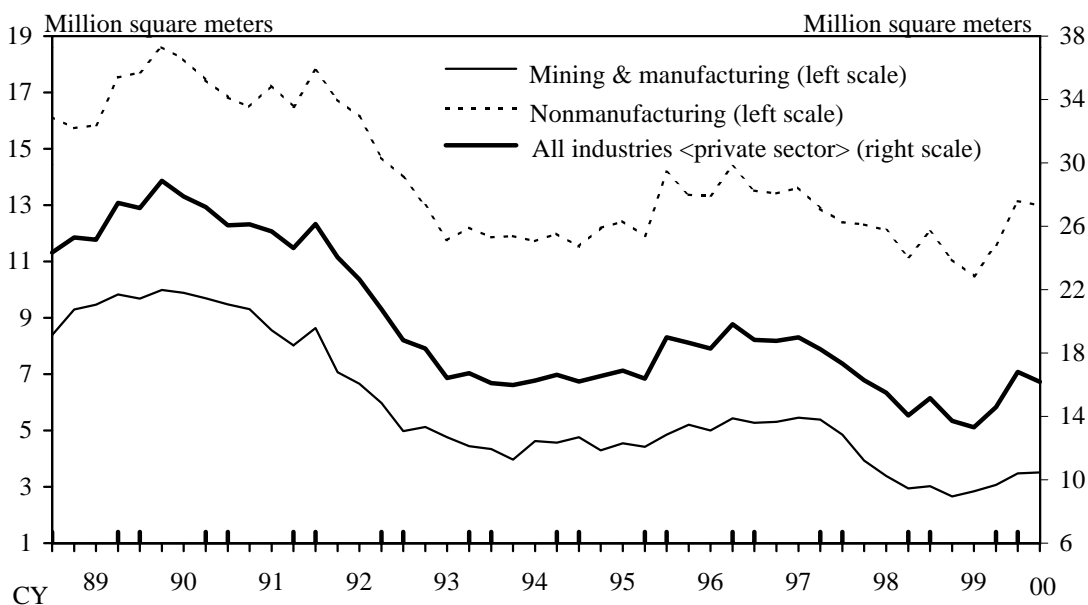
2. Excludes orders from electric power companies and shipbuilding orders.

3. Forecast of nonmanufacturing industries for 2000/Q2.

4. Forecast of all industries for 2000/Q2.

5. Forecast of manufacturing industries for 2000/Q2.

(2) Construction Starts (Nonresidential)



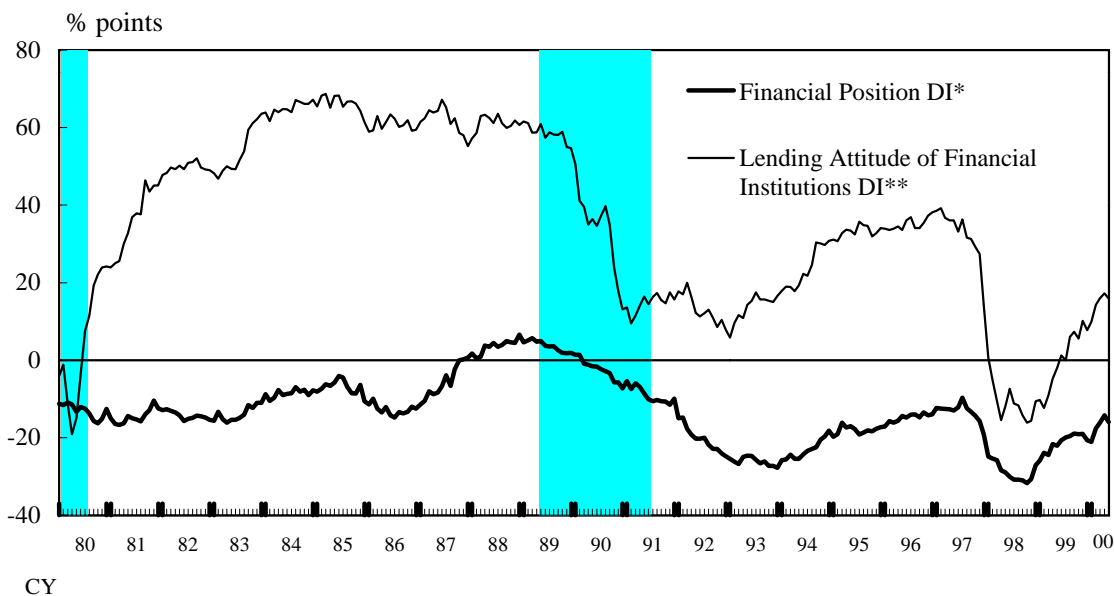
Notes: 1. Seasonally adjusted by X-11.

2. Figures for 2000/Q2 are data of April in terms of quarterly amount.

Sources: Economic Planning Agency, "Machinery Orders Statistics";  
Ministry of Construction, "Statistics Building Construction Starts."

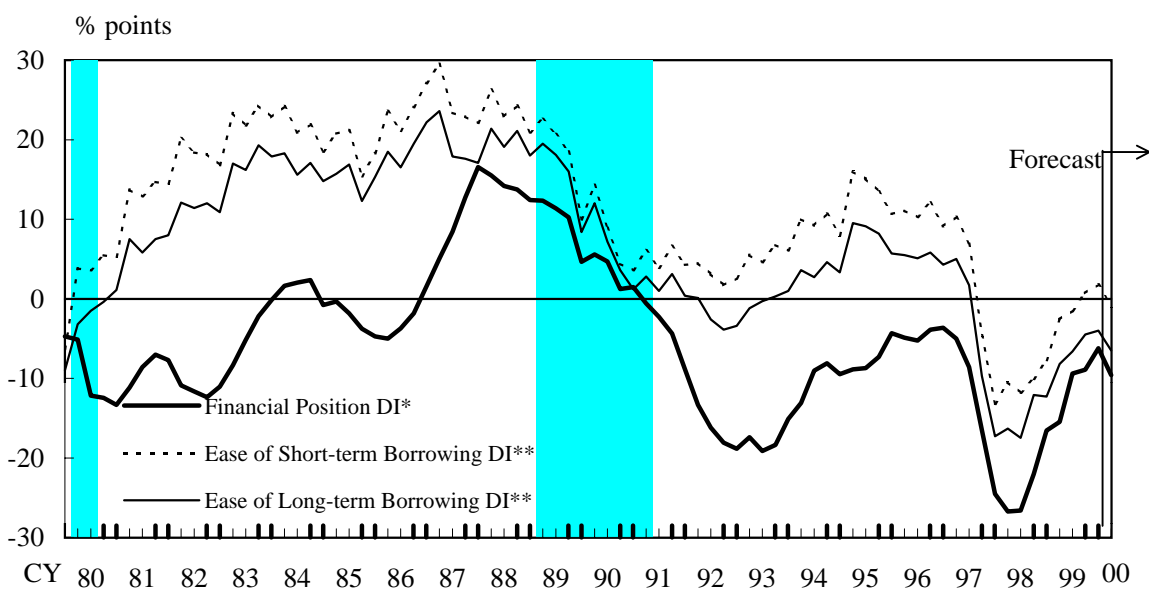
Corporate Finance-Related Indexes

(1) Monthly Survey on Trends of Small Businesses<sup>1</sup>



\* Change from a year ago, "Easy"-"Tight" seasonally adjusted.  
 \*\* Change from a year ago, "Accommodative"-"Severe."

(2) Economic Survey of Small Businesses<sup>2</sup>



- Notes: 1. Shaded areas indicate periods when the official discount rate was uptrend.  
 2. Sample: 900 Companies (Responses: 638 <May 2000 Survey>).  
 3. Sample: 12,495 Companies (Responses: 6,200 <March 2000 Survey>).

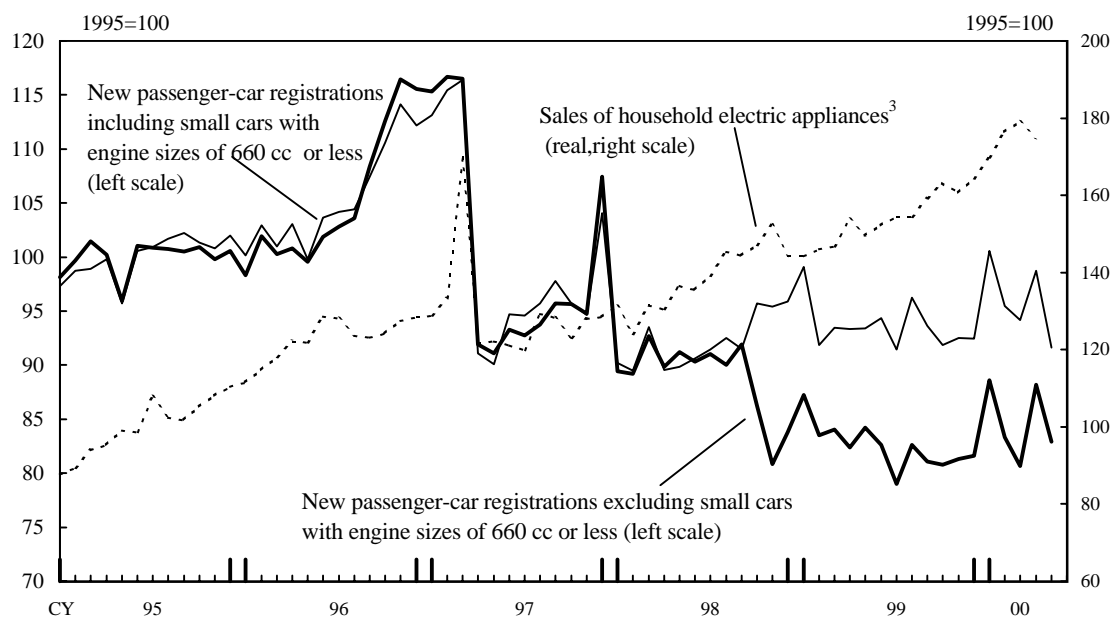
Sources: Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses",  
 "Economic Survey of Small Businesses."

## Private Consumption<sup>1</sup> (1)

### (1) Household Spending



### (2) Sales of Durable Goods



Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version).

Index of living expenditure level is seasonally adjusted by the Management and Coordination Agency.

2. Sales at retail stores are deflated by the Consumer Price Index for commodities.

3. Sales of household electric appliances are deflated by the Wholesale Price Index (for personal computers) and the Consumer Price Index (other electric appliances).

Sources: Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey", "Consumer Price Index";

Ministry of International Trade and Industry, "Current Survey of Commerce";

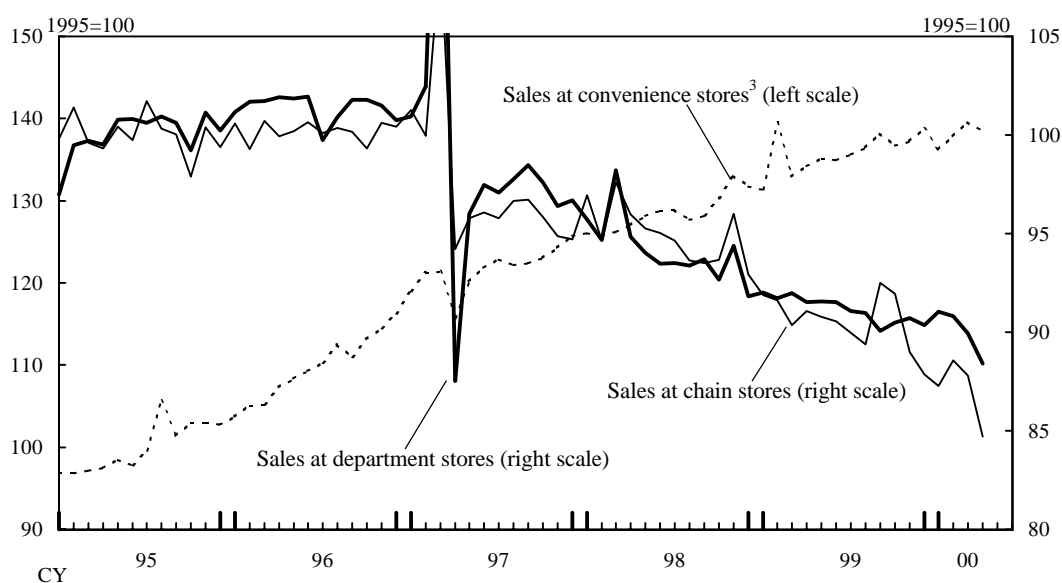
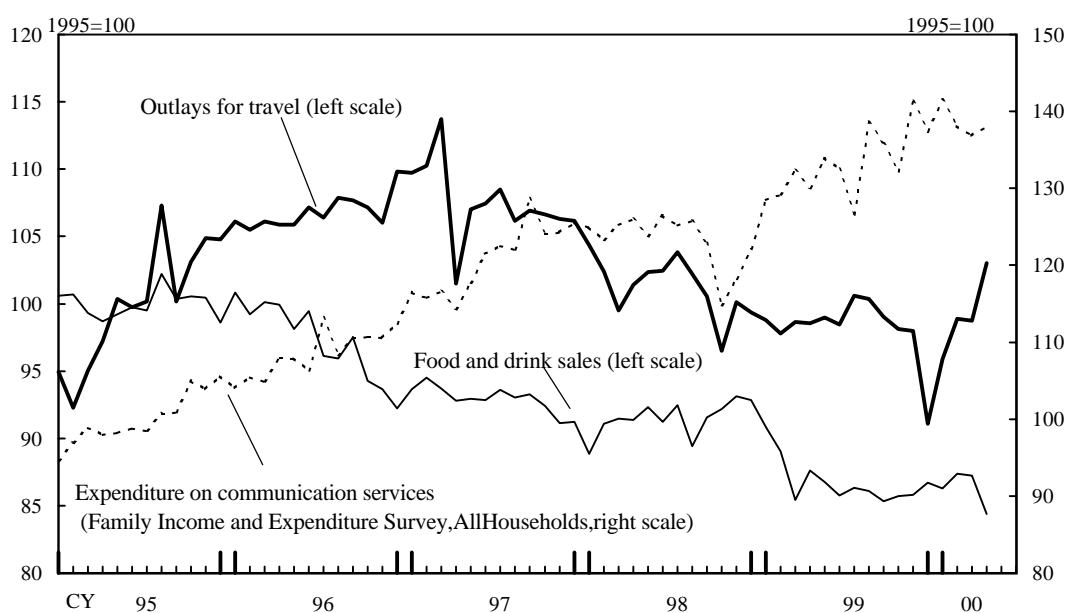
Japan Automobile Dealers Association, "Domestic Sales of Automobiles";

Japan Mini Vehicles Association, "Sales of Mini Vehicles";

Nippon Electric Big-Stores Association (NEBA), "Sales of Electric Appliance";

Bank of Japan, "Wholesale Price Indexes."



Private Consumption<sup>1</sup> (2)(3) Sales of retail stores<sup>2</sup>(4) Consumption of service<sup>4</sup>

Notes: 1. Seasonally adjusted by X-12-ARIMA ( $\beta$  version).

2. Adjusted to exclude the effect of the increase in the number of stores (except convenience stores).  
Sales at department stores and sales at chain stores are adjusted to exclude the effect of the rise of the consumption tax rate.

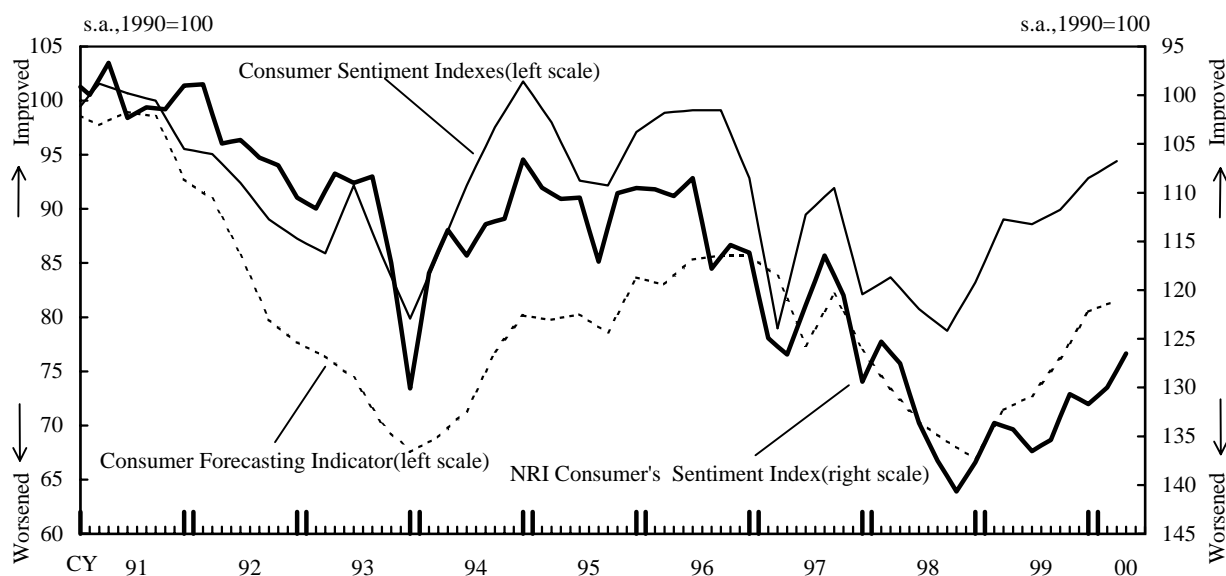
3. Sales at convenience stores are surveyed by the Bank of Japan.

4. Outlays for travel and Food and drink sales are adjusted to exclude the effect of the rise of the consumption tax rate.

Sources: Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";  
Ministry of International Trade and Industry, "Current Survey of Commerce";  
Japan Chain Stores Association, "Sales at Chain Stores";  
Ministry of Transport, "Major Travel Agents' Revenue";  
Foodservice Industry Survey & Research Center, "Monthly Survey of Food and Drink Sales."

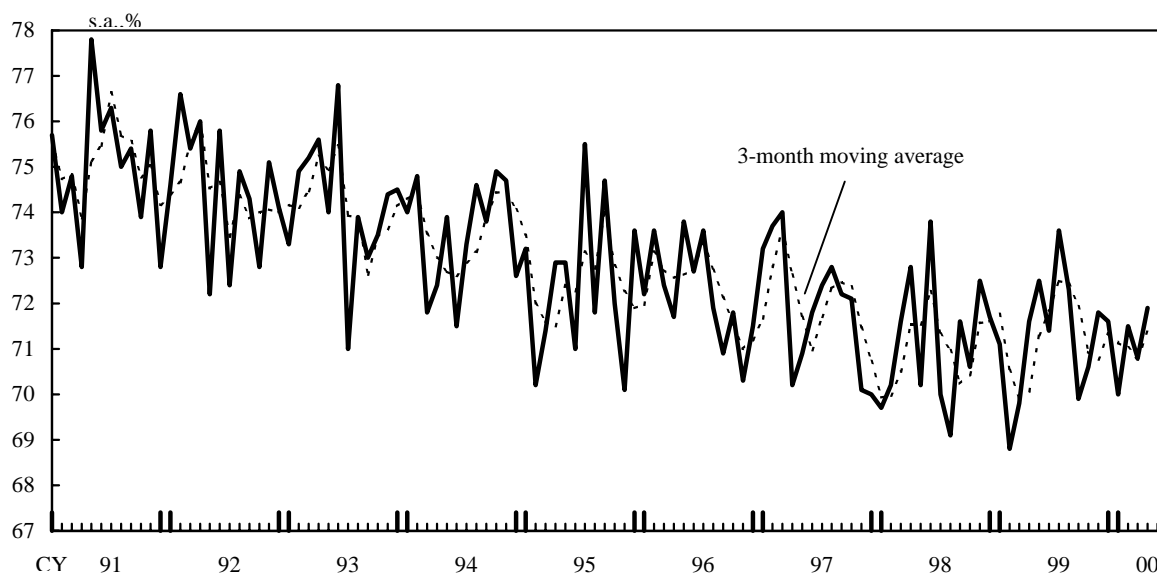
## Consumer Confidence and Propensity to Consume

## (1) Surveys on consumer confidence



- Notes: 1. Seasonally adjusted by X-11. "Consumer Sentiment Indexes" is seasonally adjusted by the Economic Planning Agency.  
 2. Consumer Sentiment Indexes, Consumer Forecasting Indicator, and NRI Consumer's Sentiment Index are based on surveys on consumer confidence.  
 3. Data are plotted at the months of each survey.  
 4. Consumer Sentiment Indexes is surveyed by the Economic Planning Agency, "Consumer Forecasting Indicator" by Nikkei RIM, and "NRI Consumer's Sentiment Index" by NRI.

## (2) Propensity to consume (Family Income and Expenditure Survey)

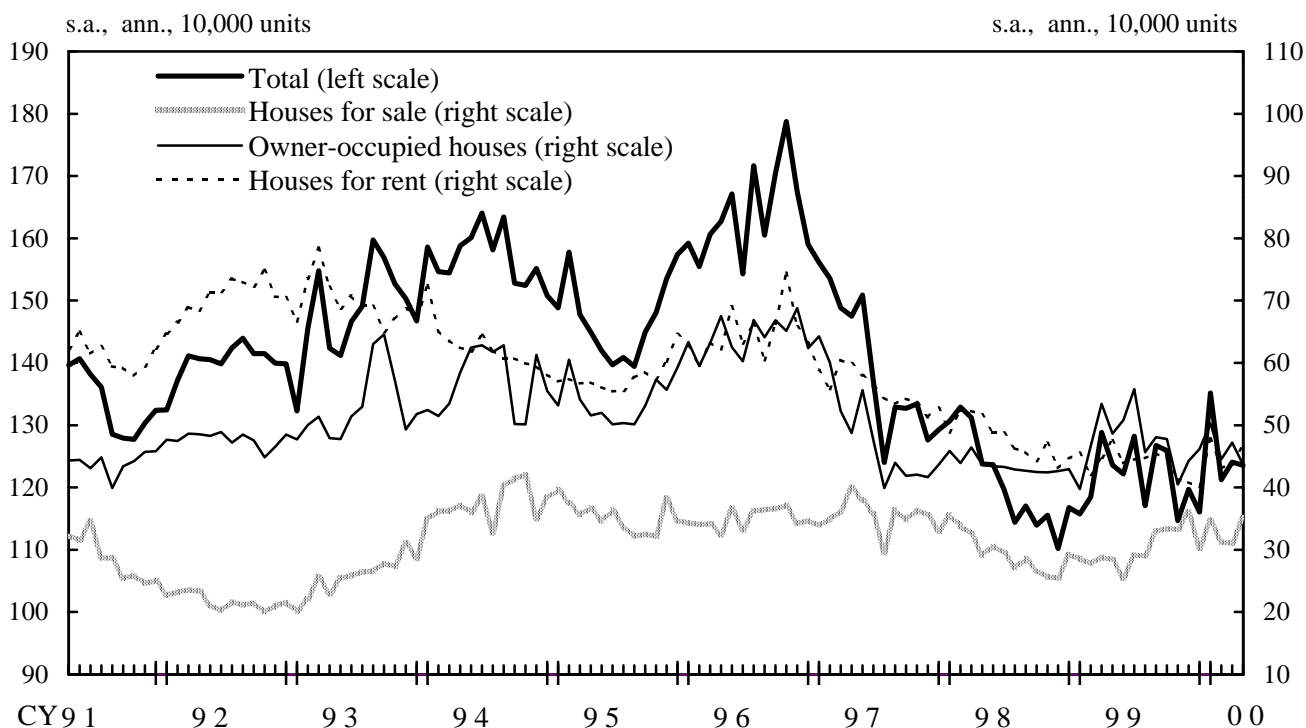


Note: Seasonally adjusted by the Management and Coordination Agency.

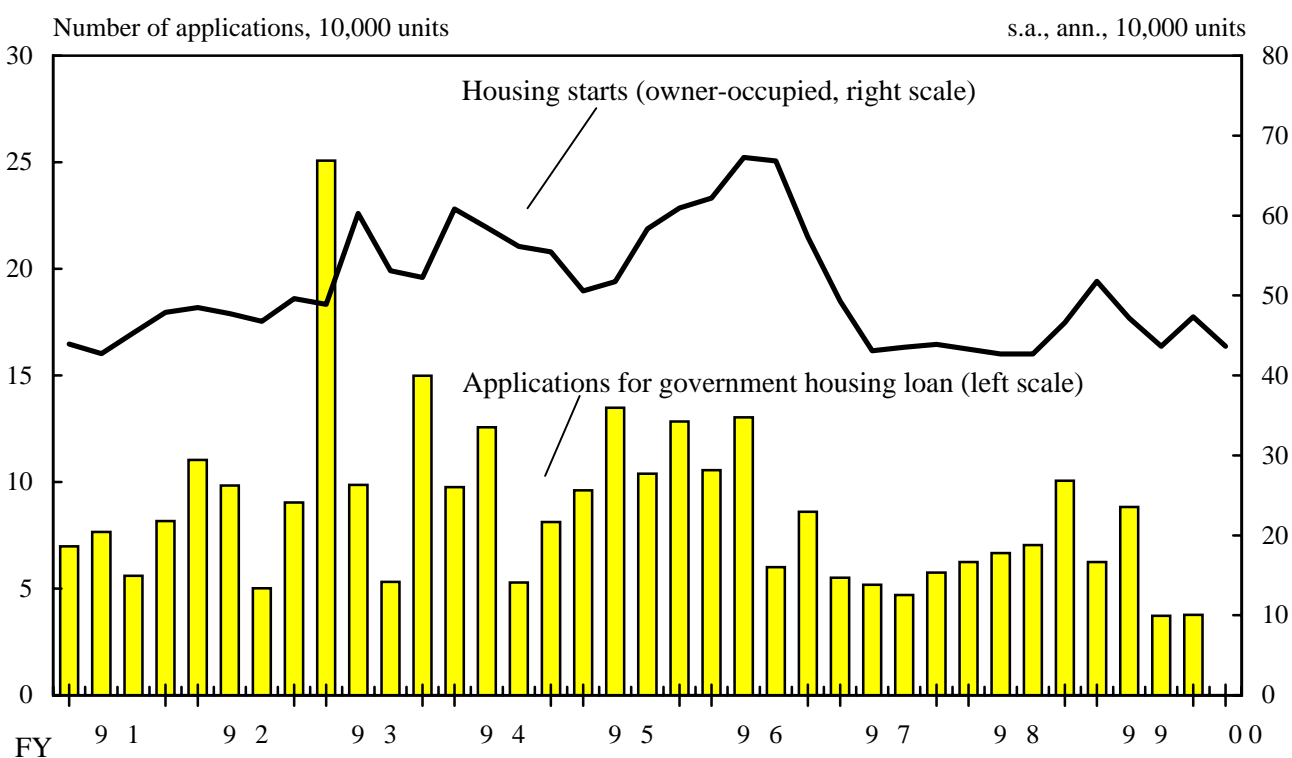
Sources: Economic Planning Agency, "Consumer Behavior Survey";  
 Nikkei Research Institute of Industry and Markets (Nikkei RIM), "Consumption Forecasting Indicator";  
 Management and Coordination Agency, "Monthly Report on the Family Income and Expenditure Survey";  
 Nippon Research Institute (NRI), "Consumer's Sentiment Survey."

## Major Indexes of Housing Investment

### (1) Housing starts

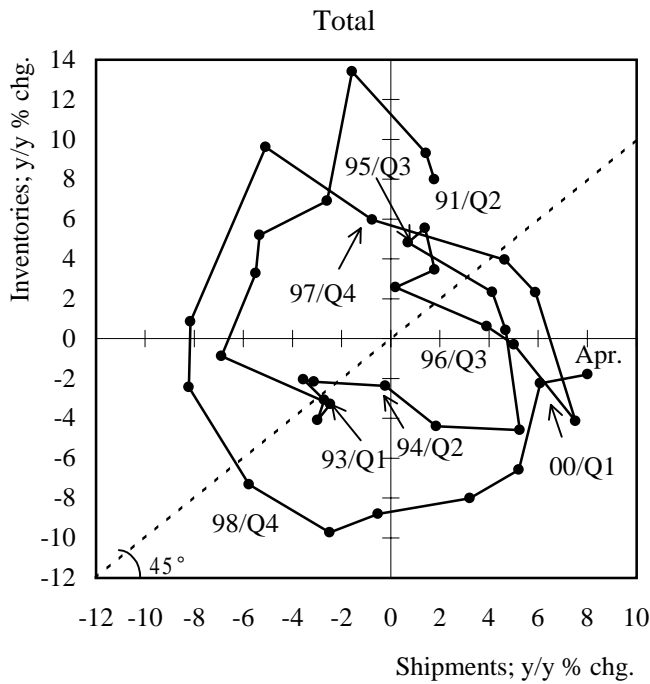


### (2) Number of applications for government housing loan (for new owner-occupied homes)

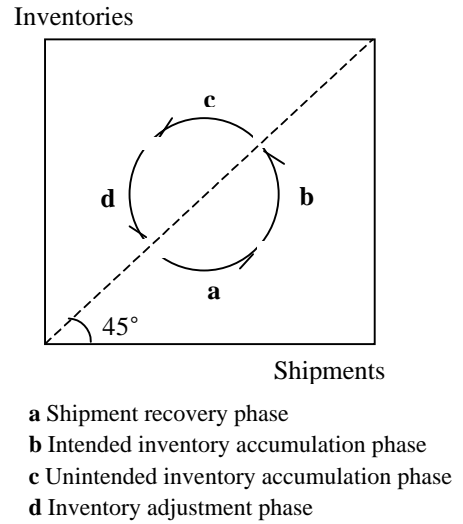


Note: The data for 2000/Q1 are April converted into an annual equivalent.  
 Source: Ministry of Construction, "Monthly of Construction Statistics", etc.

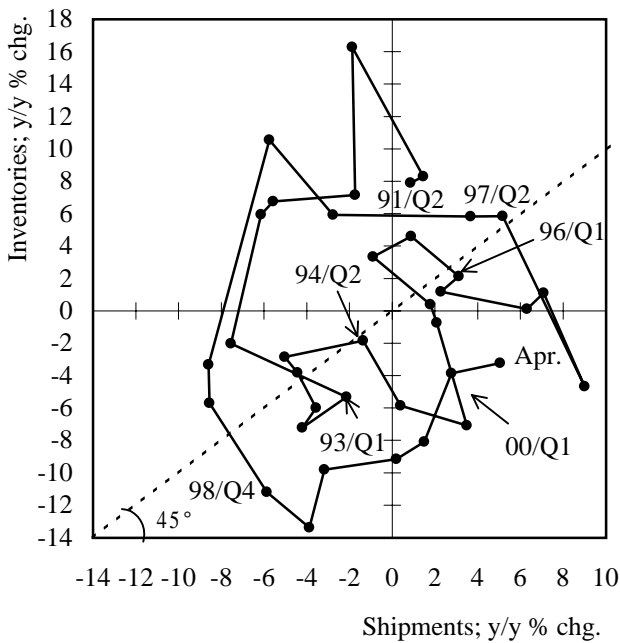
Inventory Cycle



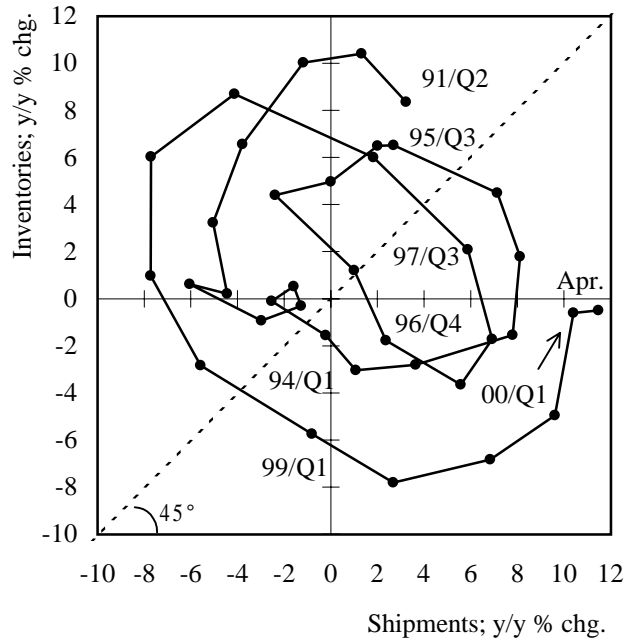
Phases in the Inventory Cycle



Final Demand Goods



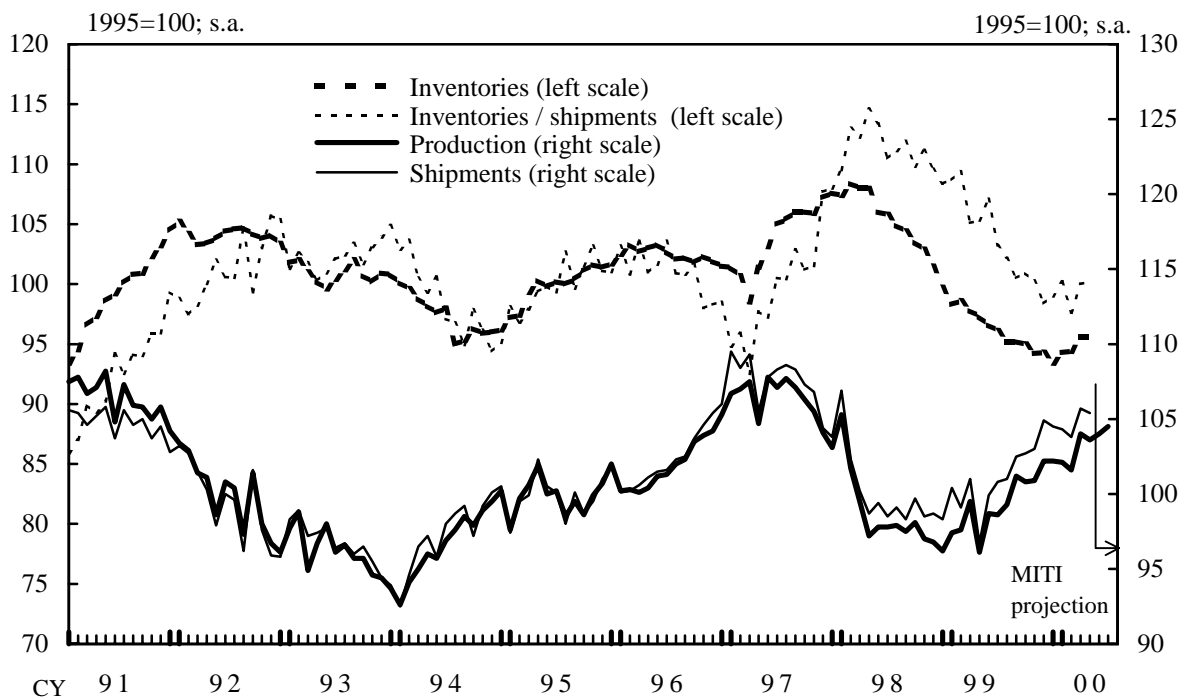
Production Goods



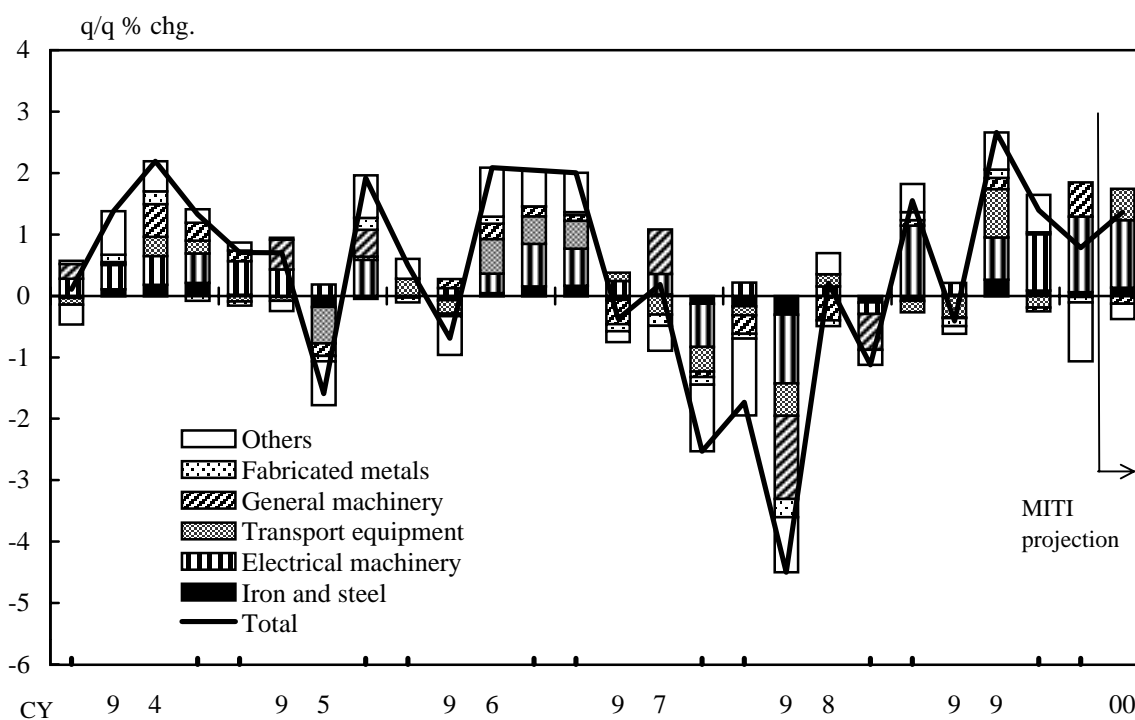
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Production, Shipments, and Inventories

(1) Production, Shipments, and Inventories



(2) Production by Industries

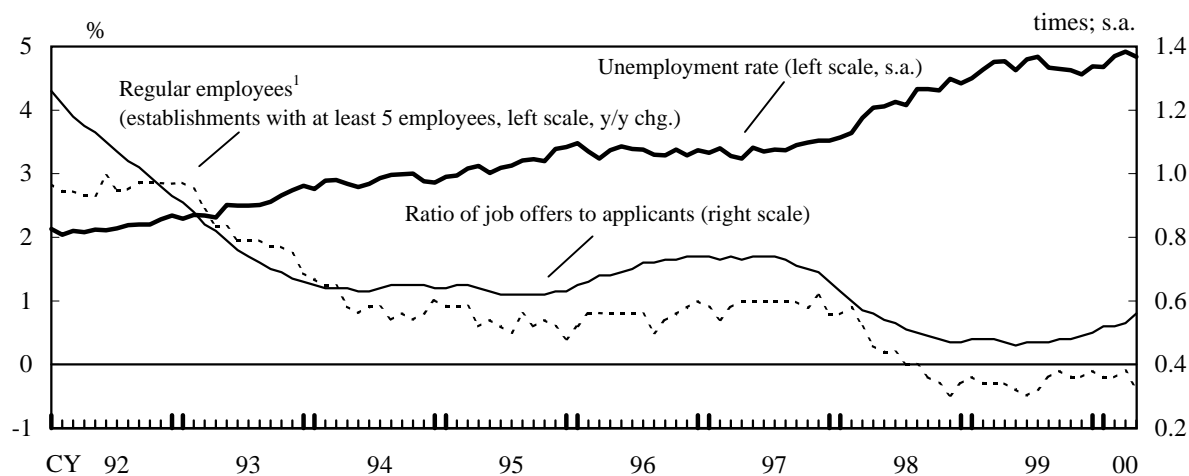


Note: Transport equipment excludes ships and rolling stock.

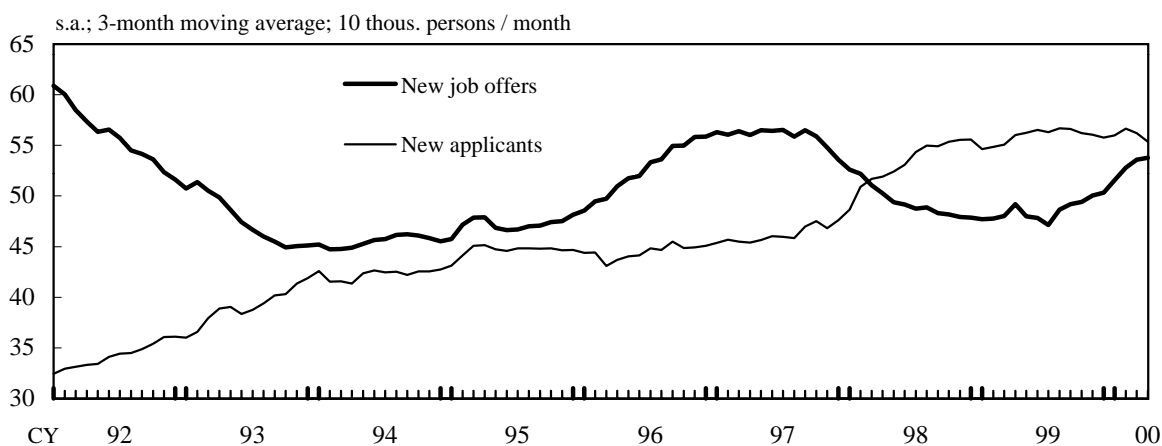
Source: Ministry of International Trade and Industry, "Indices of Industrial Production."

Labor

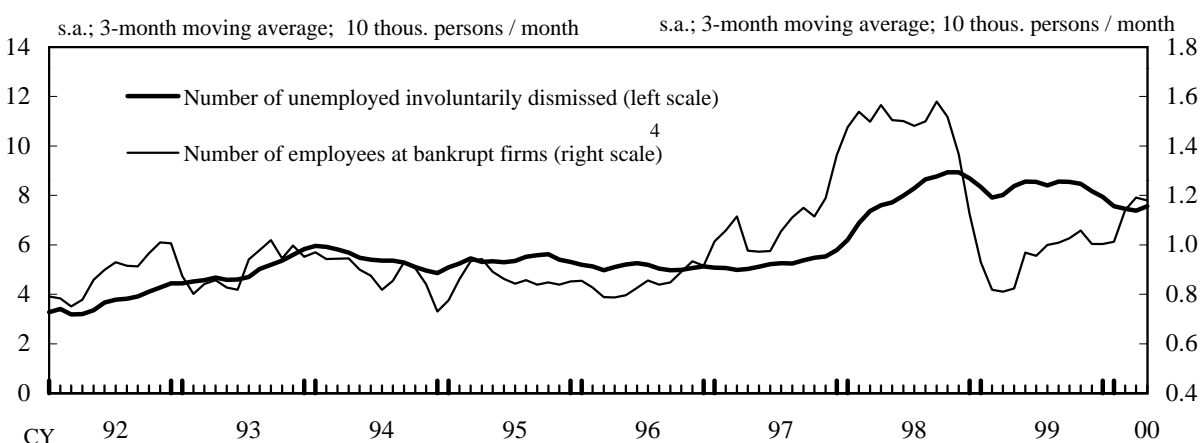
(1) Monthly



(2) New Job Offers and New Applicants<sup>2</sup>



(3) Number of Unemployed Involuntarily Dismissed and Employees at Bankrupt Firms<sup>3</sup>



Notes: 1. The data of regular employees for April 2000 are preliminary figures.

2. Excludes jobs offered to new graduates.

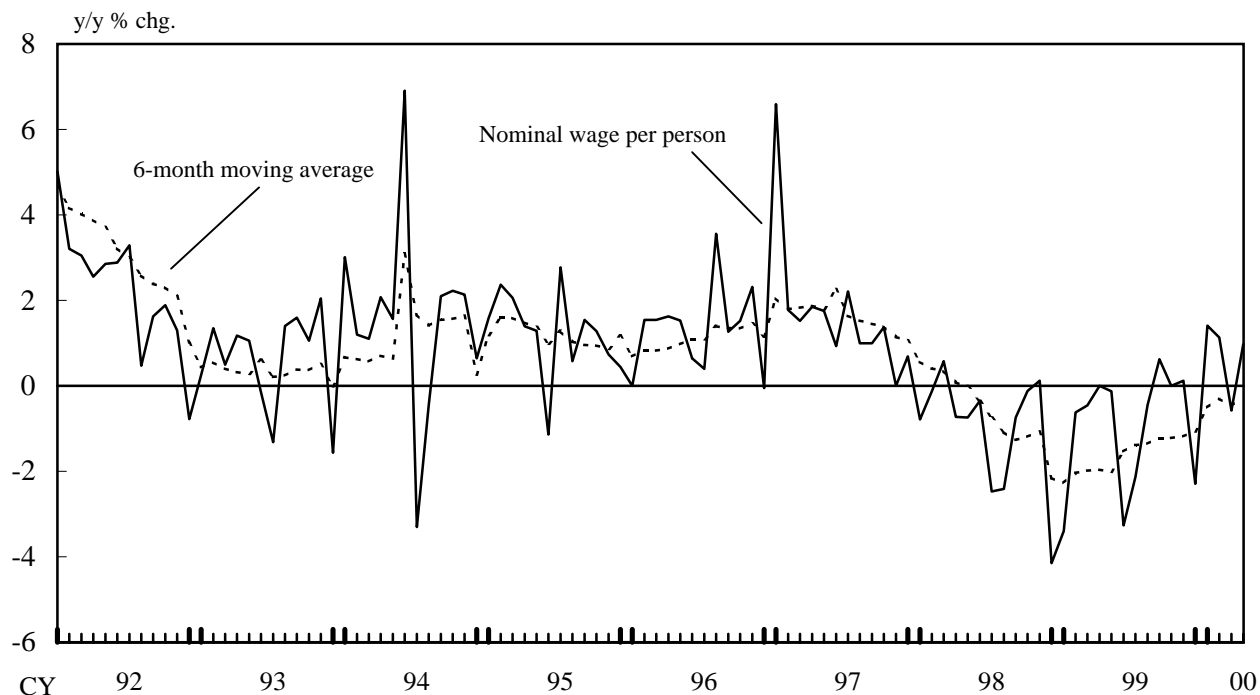
3. Seasonally adjusted by X-11.

4. The data are based on a survey conducted by *Teikoku Databank Ltd.*. Bankruptcies with liabilities of ten million yen or more.

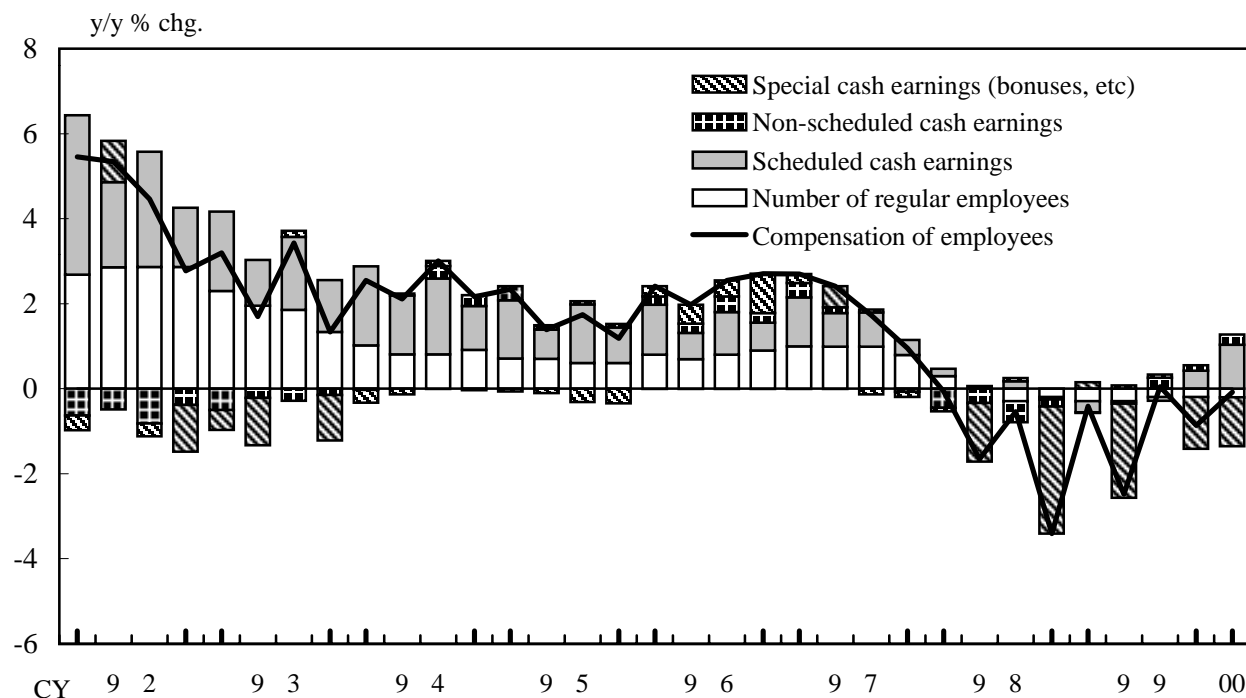
Sources: Ministry of Labour, "Monthly Labour Survey", "Report on Employment Service", "Report on Employment Insurance Service"; Management and Coordination Agency, "Labour Force Survey"; *Teikoku Databank Ltd.*, "Japan's Business Failure."

Compensation of Employees <sup>1</sup>

(1) Nominal Wage per Person



(2) Breakdown of Compensation <sup>2,3</sup>

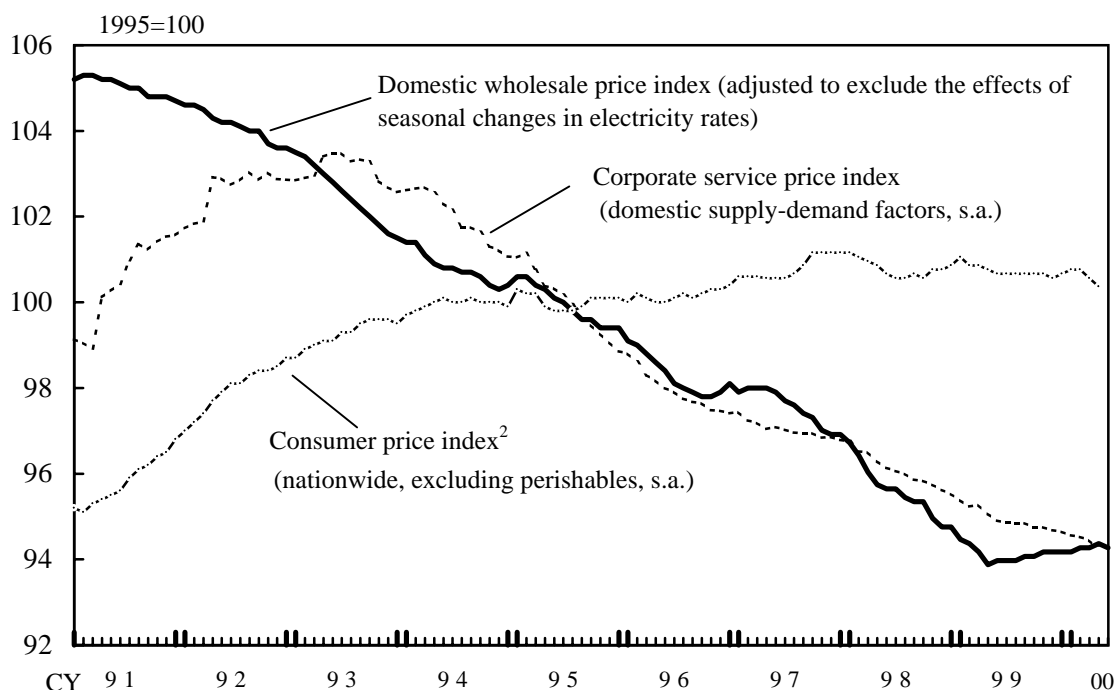


- Notes : 1. Data for establishments with at least 5 employees. The data for April 2000 are preliminary figures.
- 2. Q1= Mar.-May, Q2= Jun.-Aug., Q3=Sep.-Nov., Q4= Dec.-Feb.
- 3. The data for 2000/Q1 are those of the March-April average.

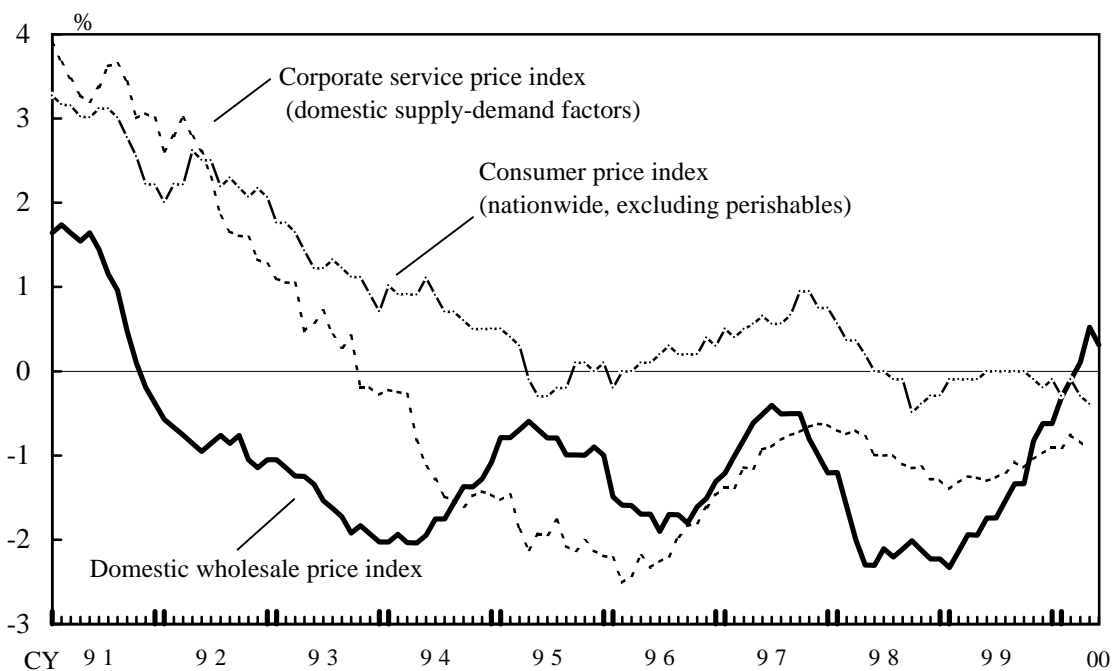
Source: Ministry of Labour, "Monthly Labour Survey."

Prices<sup>1</sup>

(1) Level



(2) Changes from a year earlier



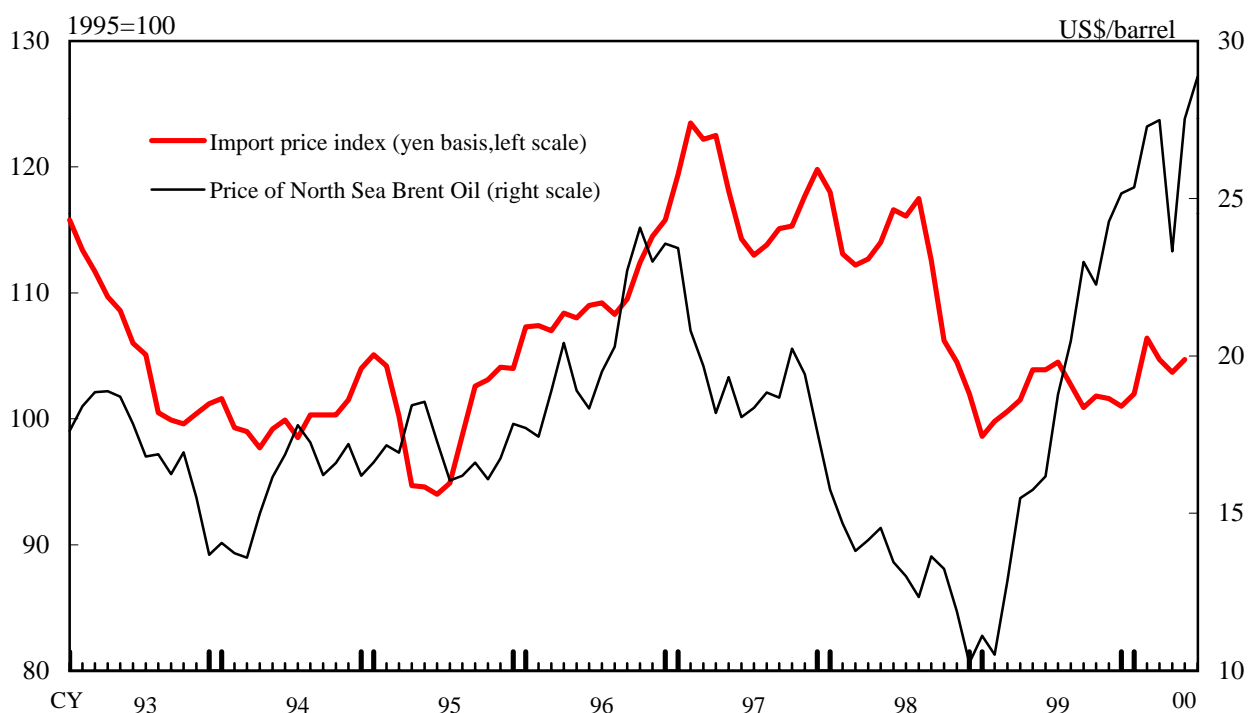
- Notes: 1. Figures before January 1995 are calculated from the CPI whose base period is 1990 in chart(1). This data series is seasonally adjusted by Management and Coordination Agency
2. Excluding the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.
3. See footnote 4 in Chart 20, for an explanation about the Corporate service price index (domestic supply-demand factors).

Sources: Management and Coordination Agency, "Consumer Price Index"; Bank of Japan, "Wholesale Price Indexes", "Corporate Service Price Index."

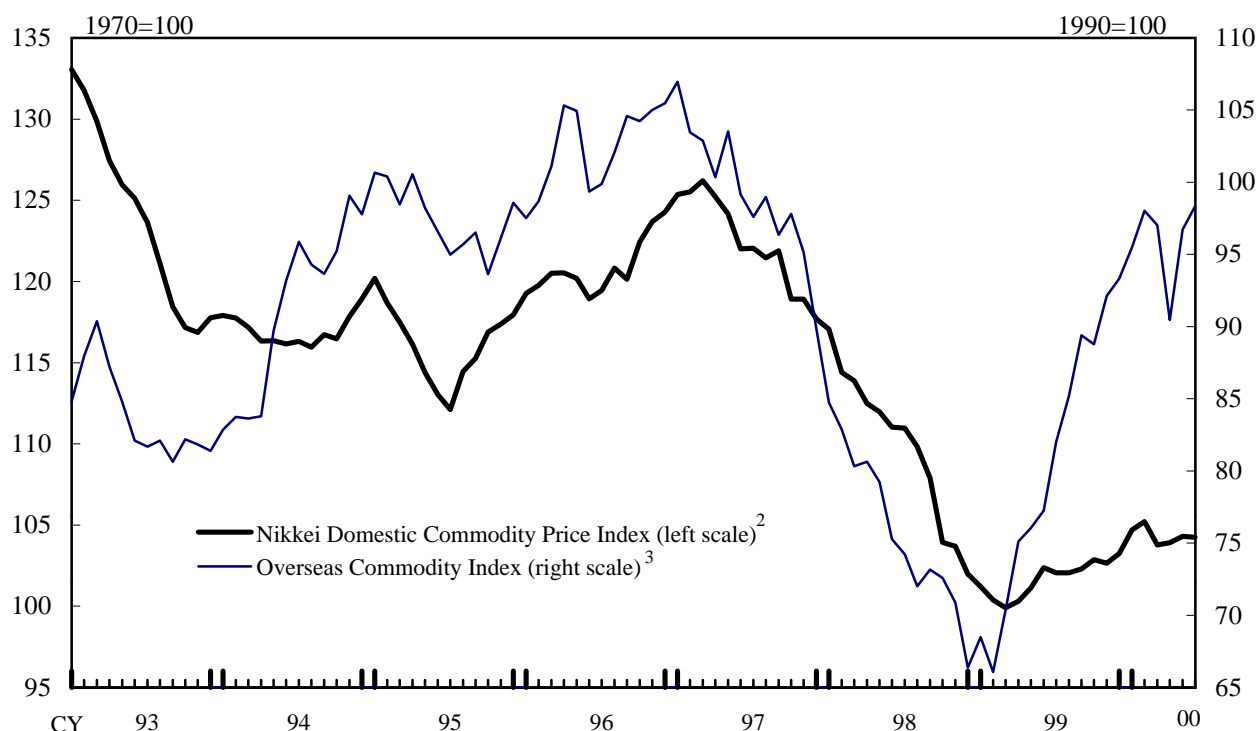


## Import Prices and Domestic Commodity Market

### (1) Import Price Index (yen basis) and Crude Oil Price <sup>1</sup>



### (2) Domestic Commodity Market



Notes: 1. Data for June 2000 are June 1-9 average.

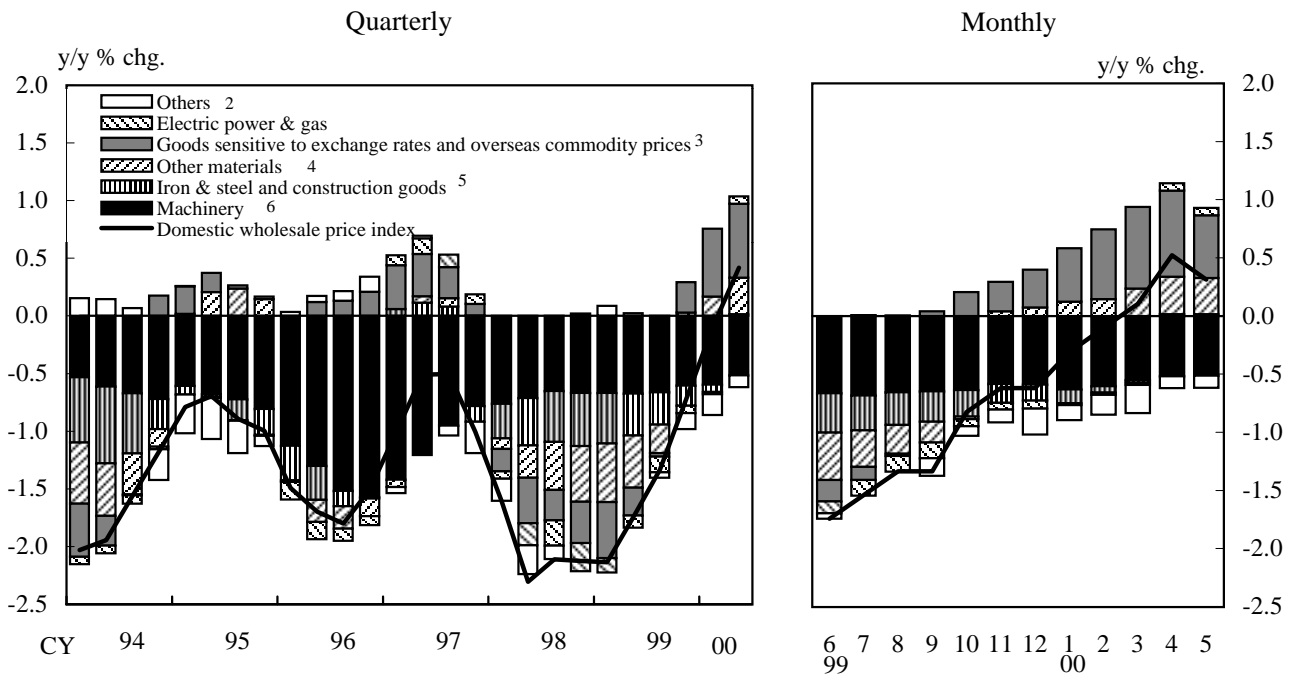
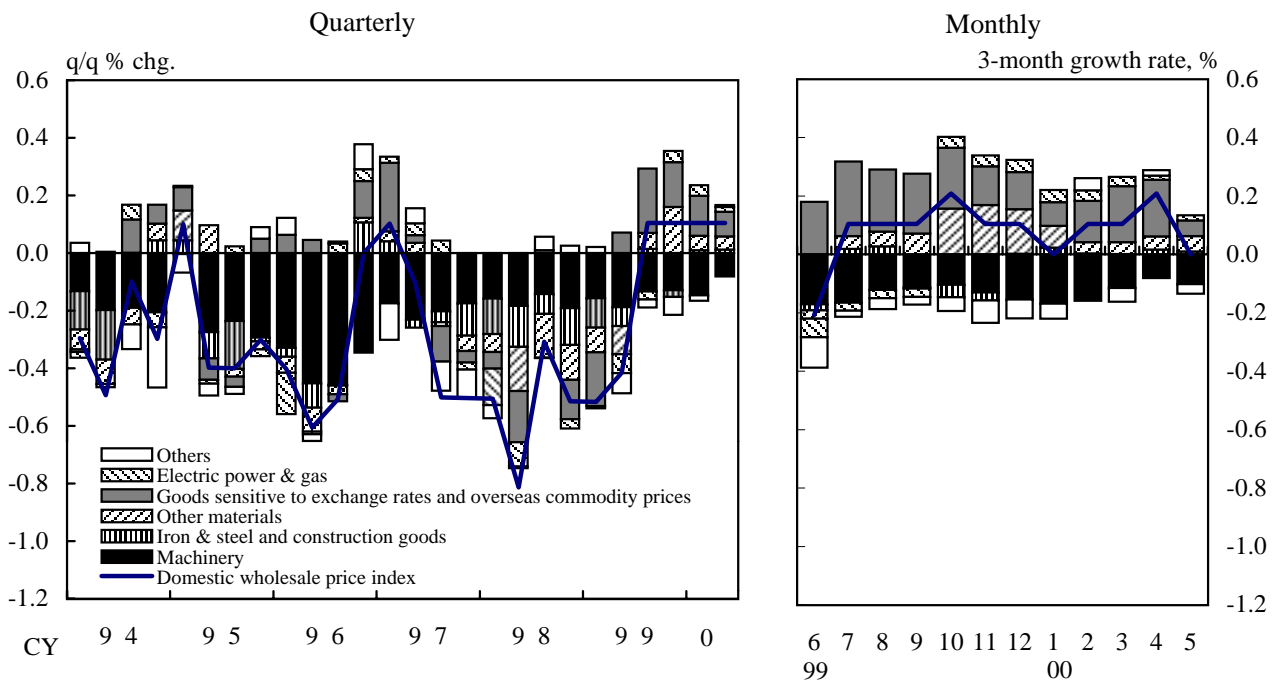
2. Data for June 2000 are as of June 9.

3. Calculated by the Research and Statistics Department, Bank of Japan. Data for June 2000 are June 1-9 average.

Sources: Bank of Japan, "Wholesale Price Indexes", "Financial and Economic Statistics Monthly", "Nippon Ginko Chousa Geppo (Bank of Japan Monthly Bulletin)"; Nihon Keizai Shimbun Inc., "Nikkei Domestic Commodity Price Index".

Breakdown of Domestic Wholesale Price Index<sup>1</sup>

## (1) Changes from a year earlier

(2) Changes from a quarter earlier and 3 months earlier<sup>7</sup>

Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.

2. Others = processed foodstuffs + other manufacturing industry products + edible agricultural, livestock & aquatic products + inedible agricultural & forestry products + mining products + water.

3. Goods sensitive to exchange rates and overseas commodity prices = petroleum & coal products + nonferrous metals.

4. Other materials = chemicals + plastic products + textile products + pulp, paper & related products.

5. Iron & steel and construction goods = iron & steel + metal products + ceramics, stone & clay products + lumber & wood products + scrap & waste.

6. Machinery = electrical machinery + general machinery + transportation equipment + precision instruments.

7. Adjusted to exclude the effects of the summer-time (from July to September) hike in electricity rates in chart(2).

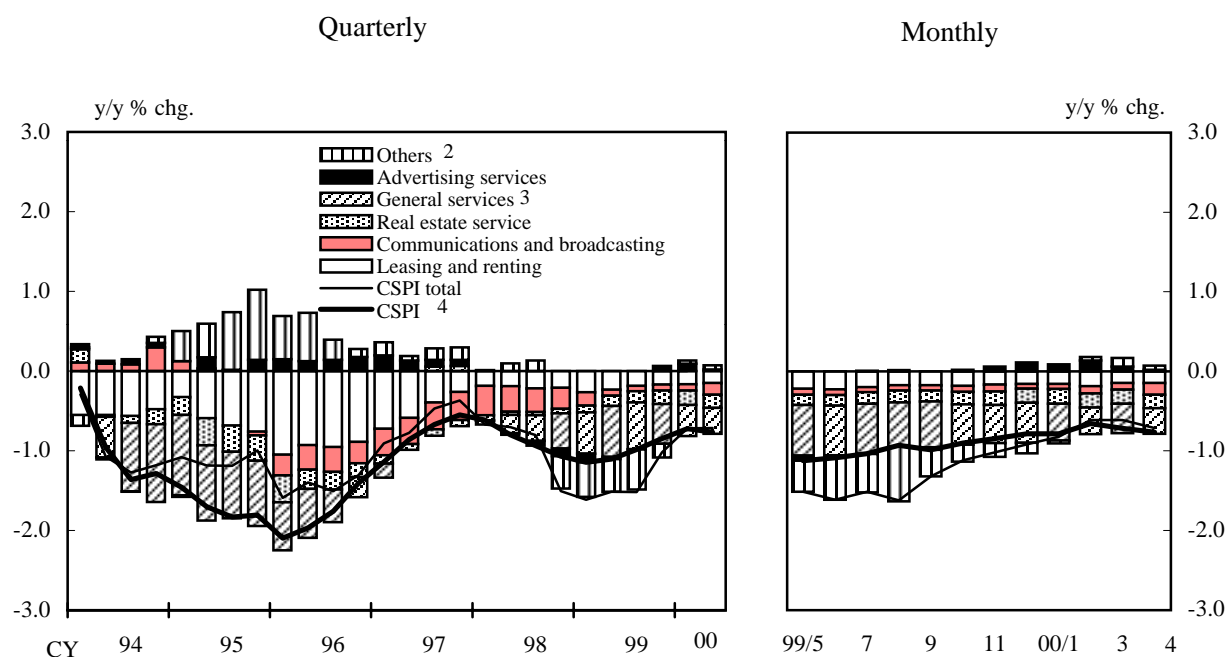
This effect causes the Domestic Wholesale Price Index to rise about 0.2%.

8. Date for 2000/Q2 are those of the Apr.-May. average.

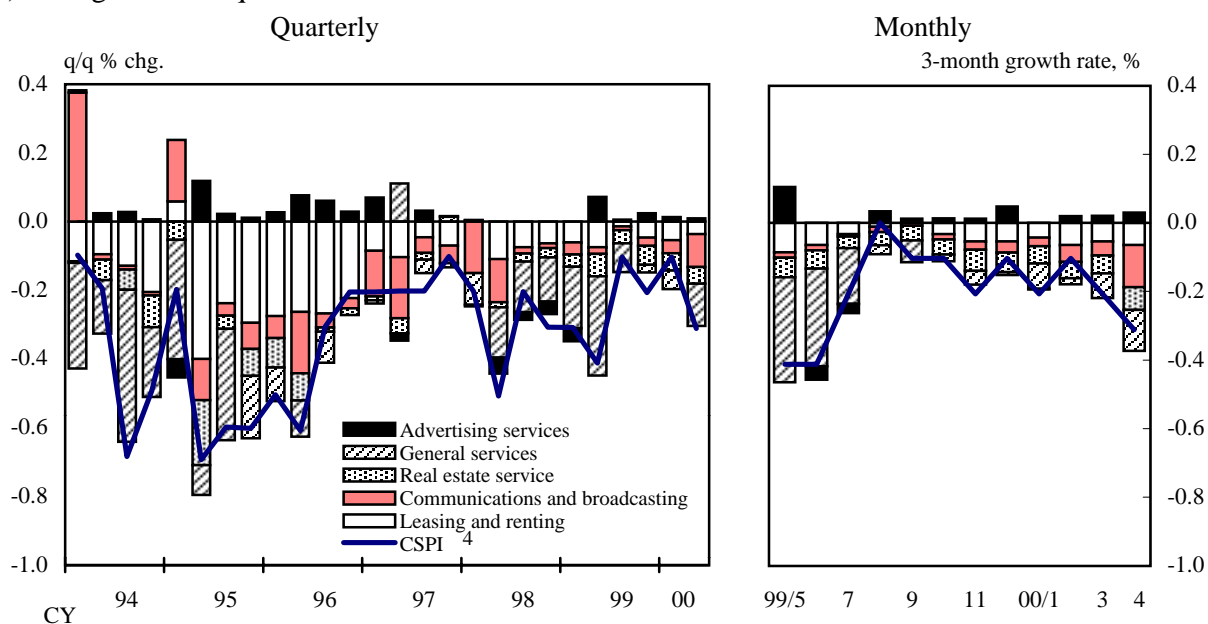
Source: Bank of Japan, "Wholesale Price Indexes."

Breakdown of Corporate Service Price Index<sup>1</sup>

## (1) Changes from a year earlier



## (2) Changes from a quarter earlier and 3 months earlier



Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.

2. Others = automobile insurance (compulsory) + railroad fares + bus fares + taxi fares + domestic air fares + tolls + postal services + sewerage disposal + ocean freight + international air freight + international air fares + securities issuance and related services (banks' procurement service for issuing debentures <excluding underwriting services>).

3. General services = finance & insurance + transportation + information services + building maintenance services + temporary worker services + machinery maintenance, etc. (excluding items in "others").

4. CSPI (domestic supply-demand factors) includes all items aside from "others" as defined above. This index mainly reflects the supply and demand conditions in the domestic private sector.

5. Television commercials in Advertising services, Sales space rental in Real estate services and General warehousing and storage in Transportation in chart (2) are seasonally adjusted by X-12-ARIMA( $\beta$  version).

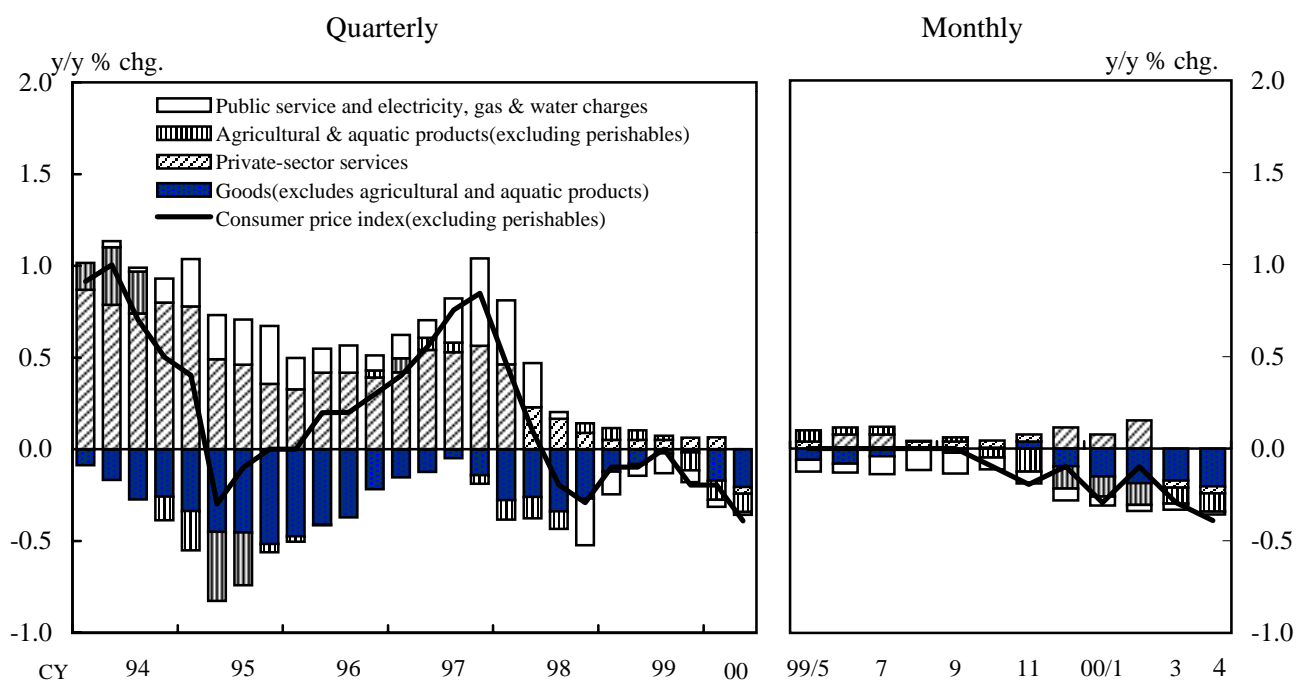
Due to seasonal adjustment every month, these data services are revised retroactively every month.

6. Data for 2000/Q2 are as of April.

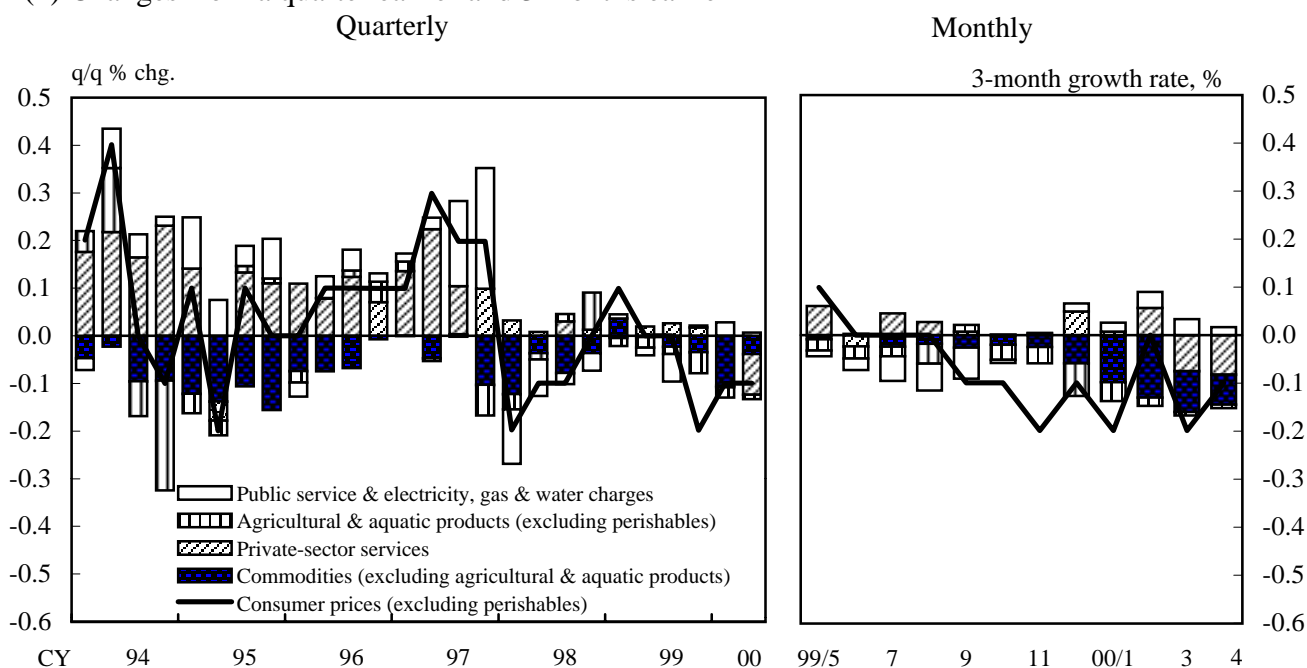
Source: Bank of Japan, "Corporate Service Price Index."

# Breakdown of Consumer Price Index (excluding perishables)<sup>1</sup>

## (1) Changes from a year earlier



## (2) Changes from a quarter earlier and 3 months earlier



Notes: 1. Adjusted to exclude the effects of the consumption tax hike in April 1997 on the assumption that prices of all taxable goods fully reflect the rise of the tax rate.  
 Data in chart(2) are seasonally adjusted. Due to seasonal adjustment every month, these data series are revised retroactively every month. Because of the seasonal adjustment error, there are discrepancies between the CPI and the sum of its components.

2. Data for 2000/Q2 are those of April.

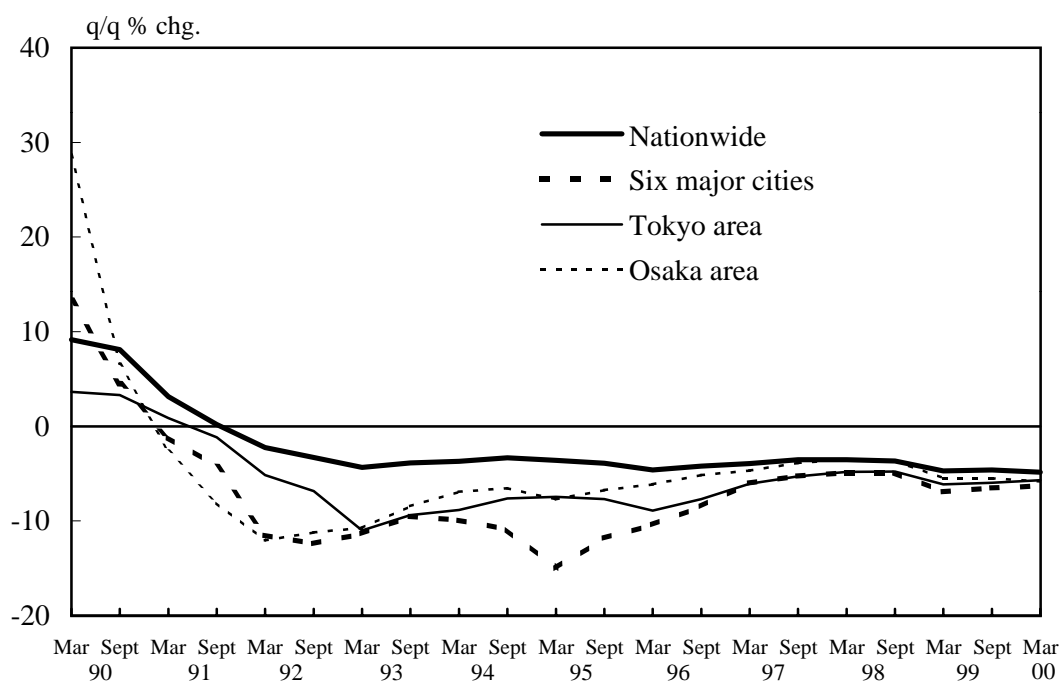
Source: Management and Coordination Agency, "Consumer Price Index."

---

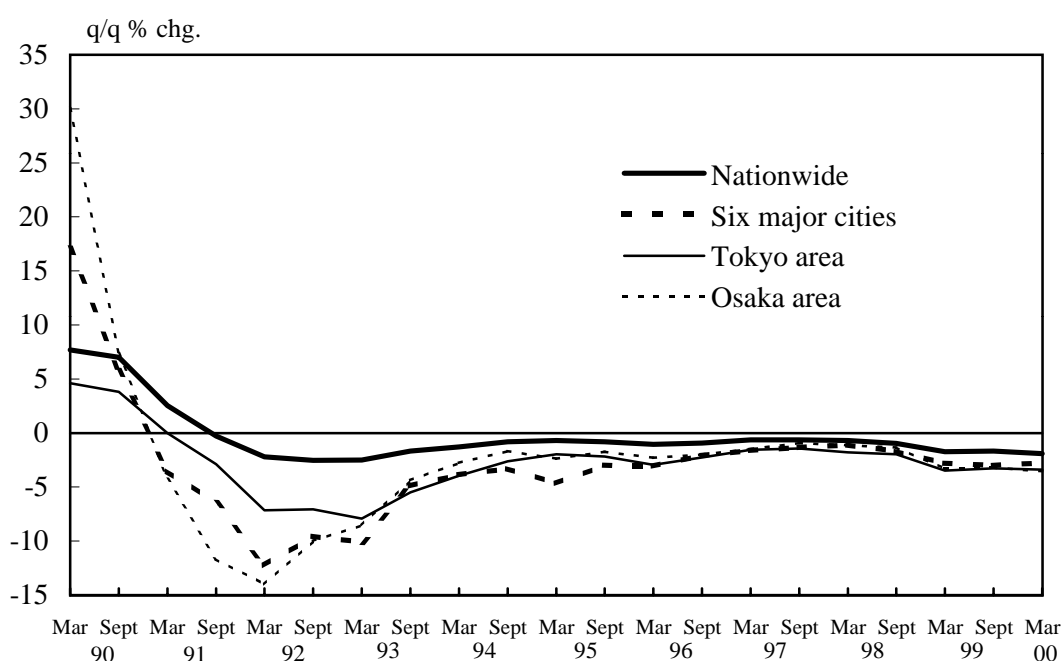
 Urban Land Price Index
 

---

## (1) Commercial land



## (2) Residential land



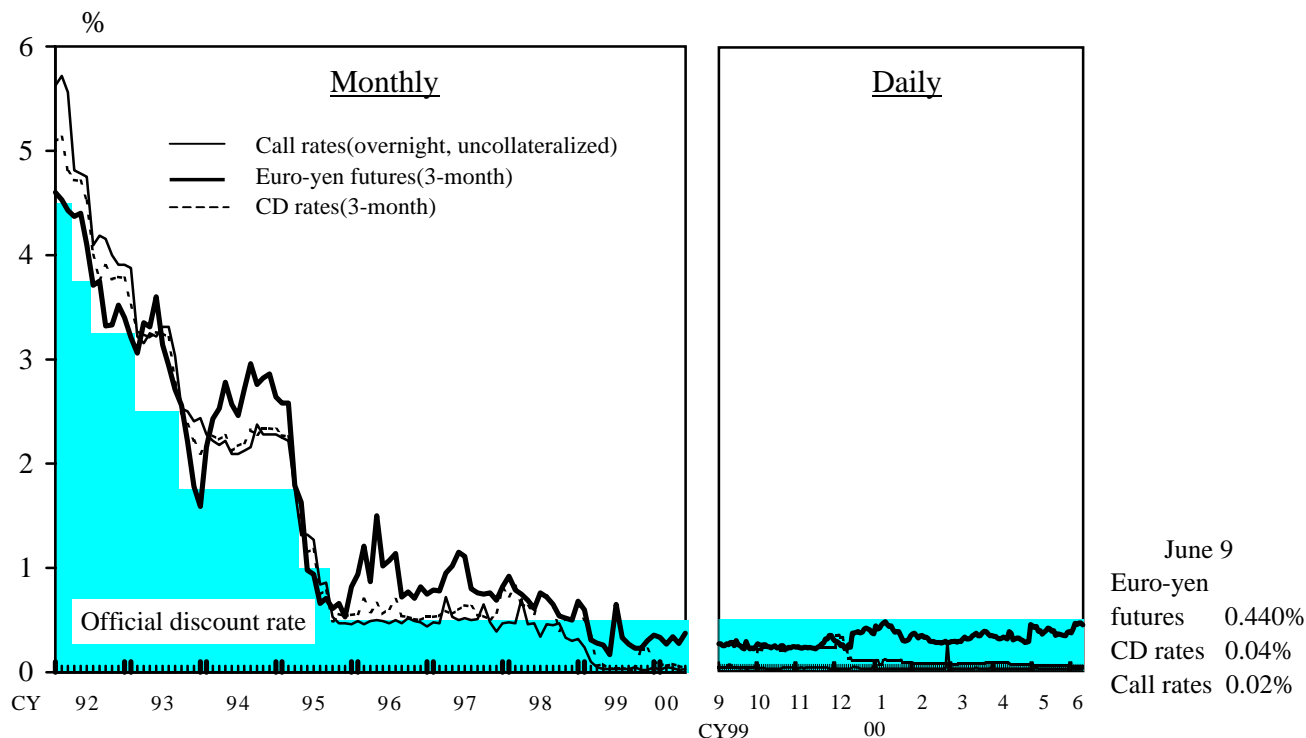
Notes: 1. The Urban Land Price Index is based on surveys conducted at the end of March and September each year.

2. Six major cities include Tokyo (23 wards only), Yokohama, Nagoya, Kyoto, Osaka and Kobe.

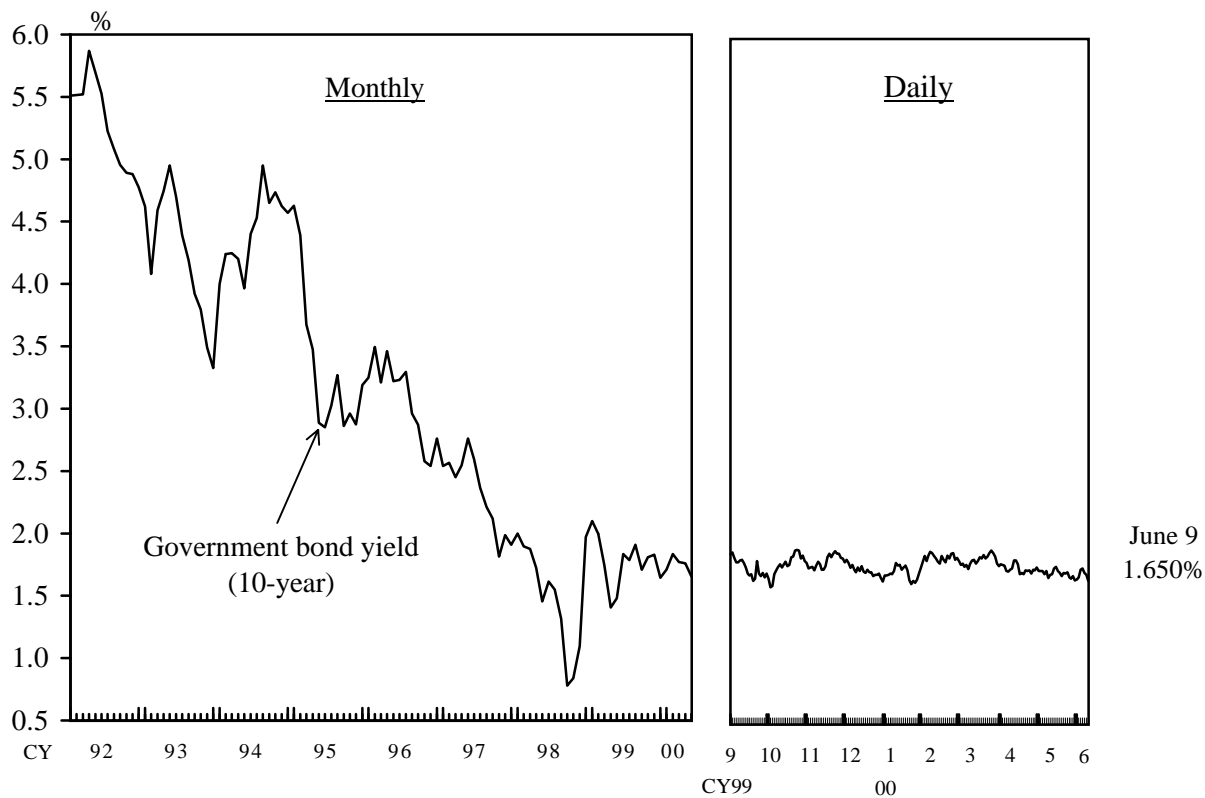
Source: Japan Real Estate Institute, "Urban Land Price Index".

Interest Rates

(1) Short-Term



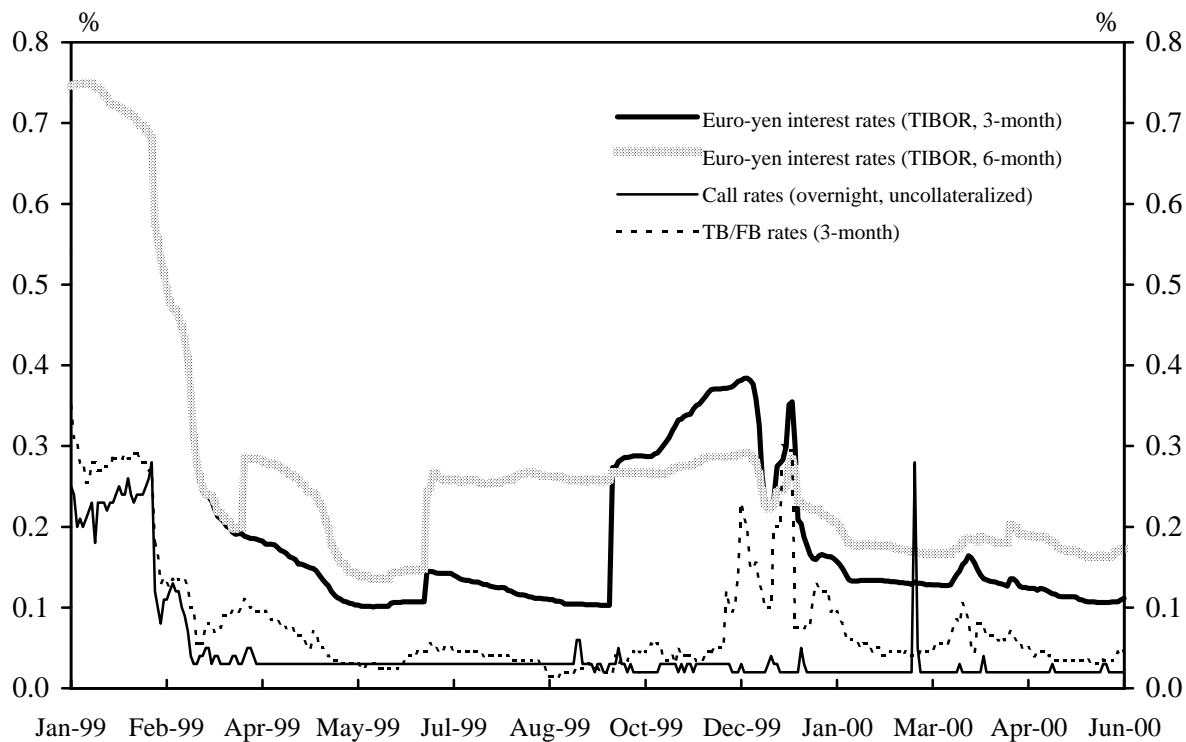
(2) Long-Term



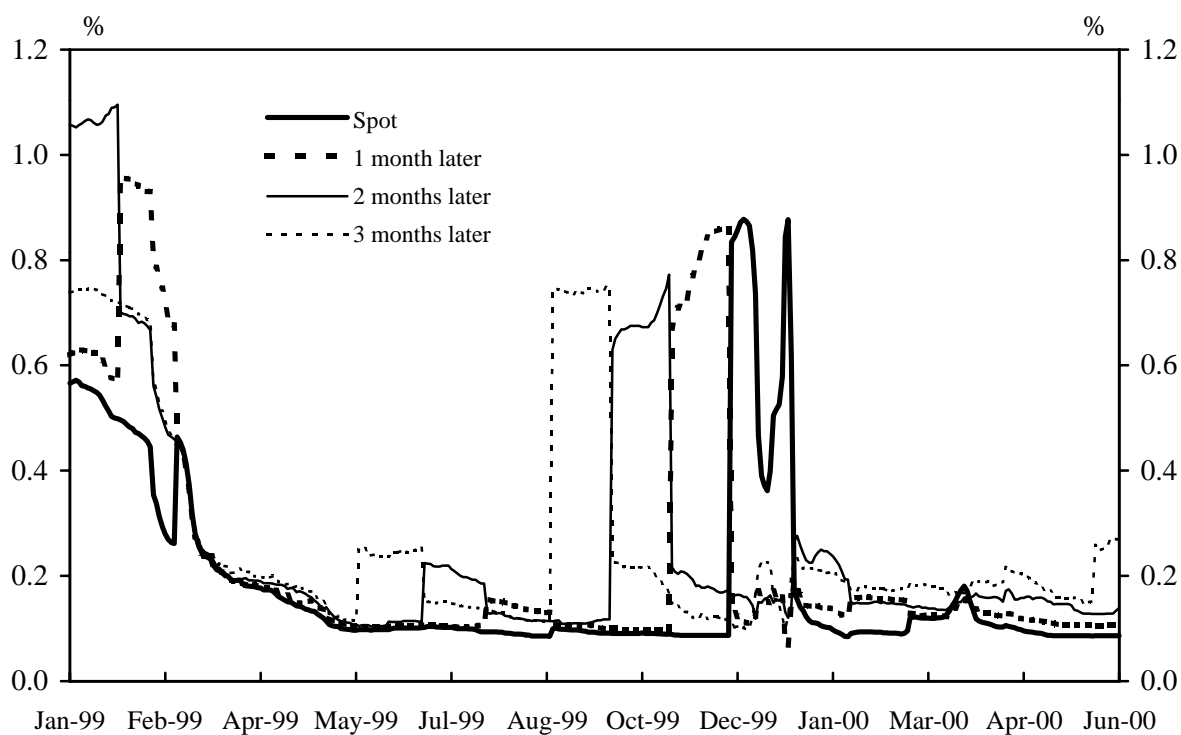
Sources: Bank of Japan; Tokyo International Financial Futures Exchange; Japan Bond Trading Co., Ltd.

## Short-Term Money Market Rates

## (1) Interest Rates on Term Instruments

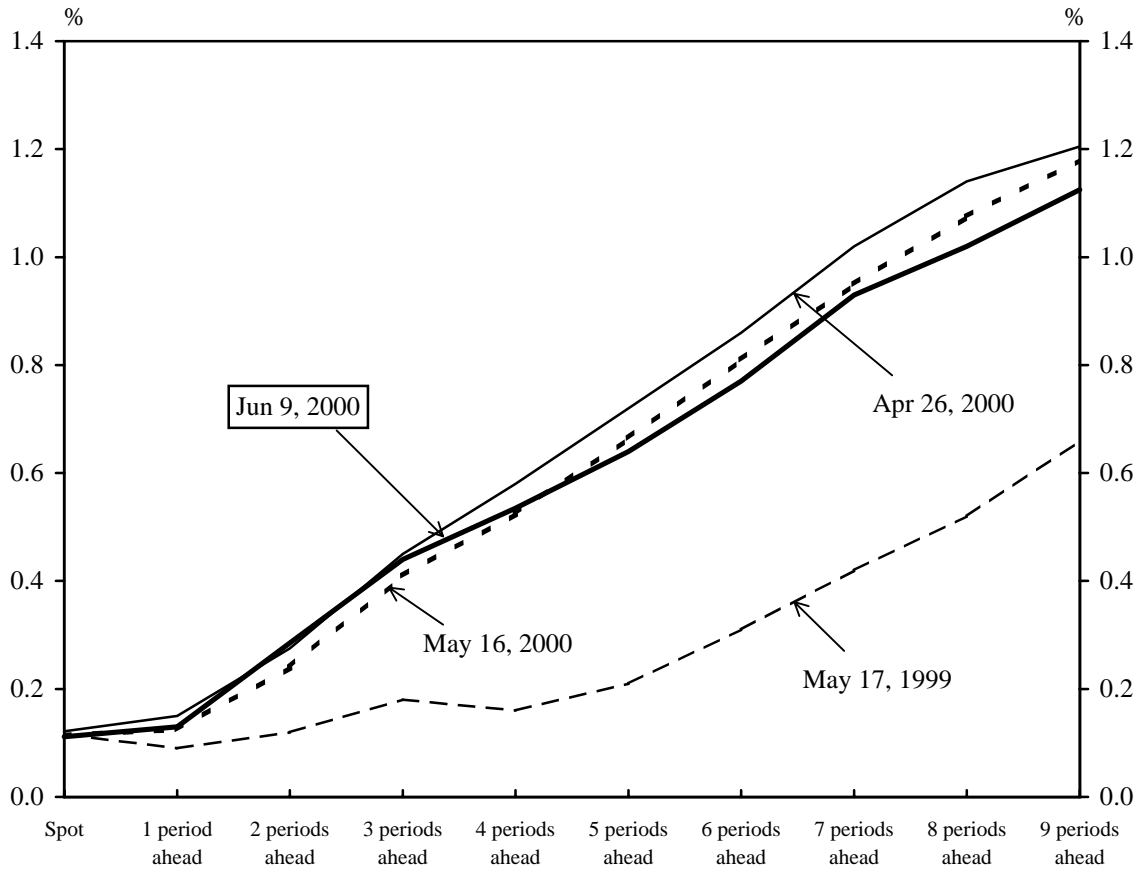


## (2) Implied Forward Rate (1-Month Forward Rates Calculated from Euro-Yen Interest Rates)



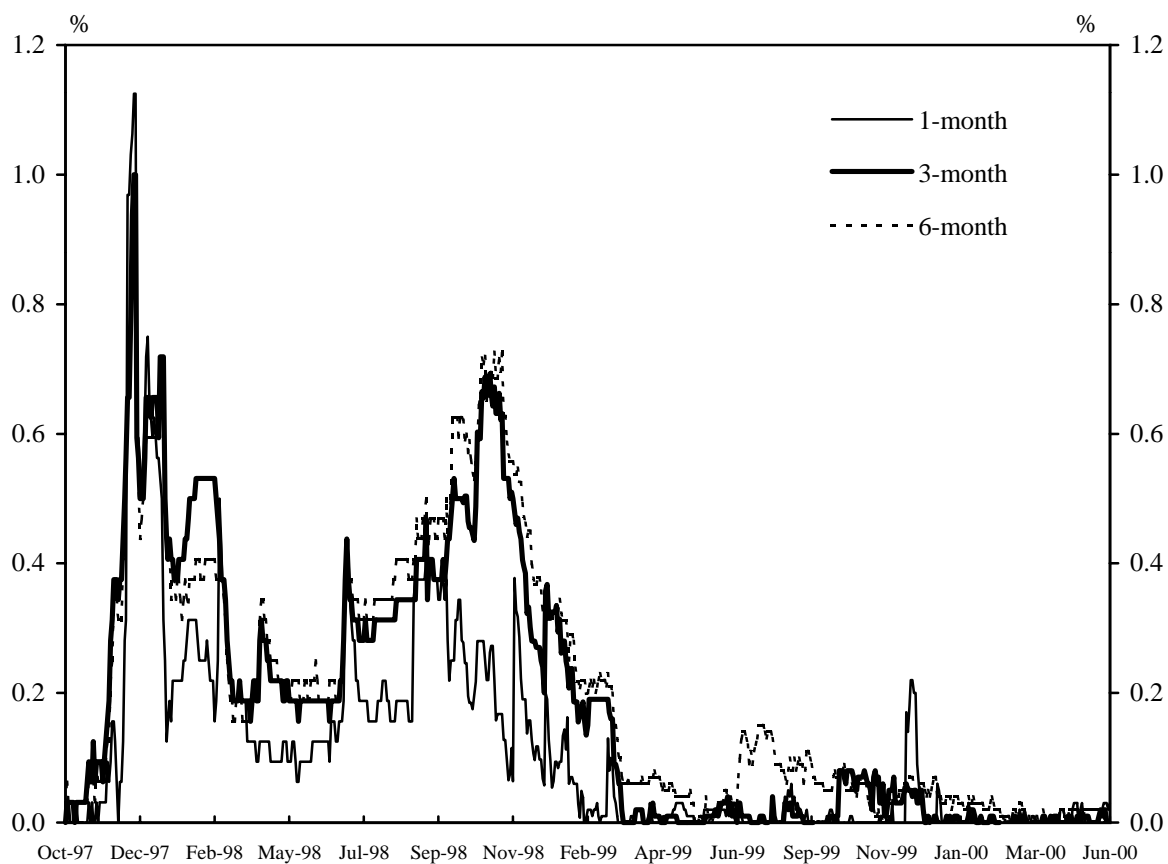
Sources: Bank of Japan; Japanese Bankers Association; Japan Bond Trading Co., Ltd.

Euro-Yen Interest Rates Futures (3-Month)



Source: Tokyo International Financial Futures Exchange.

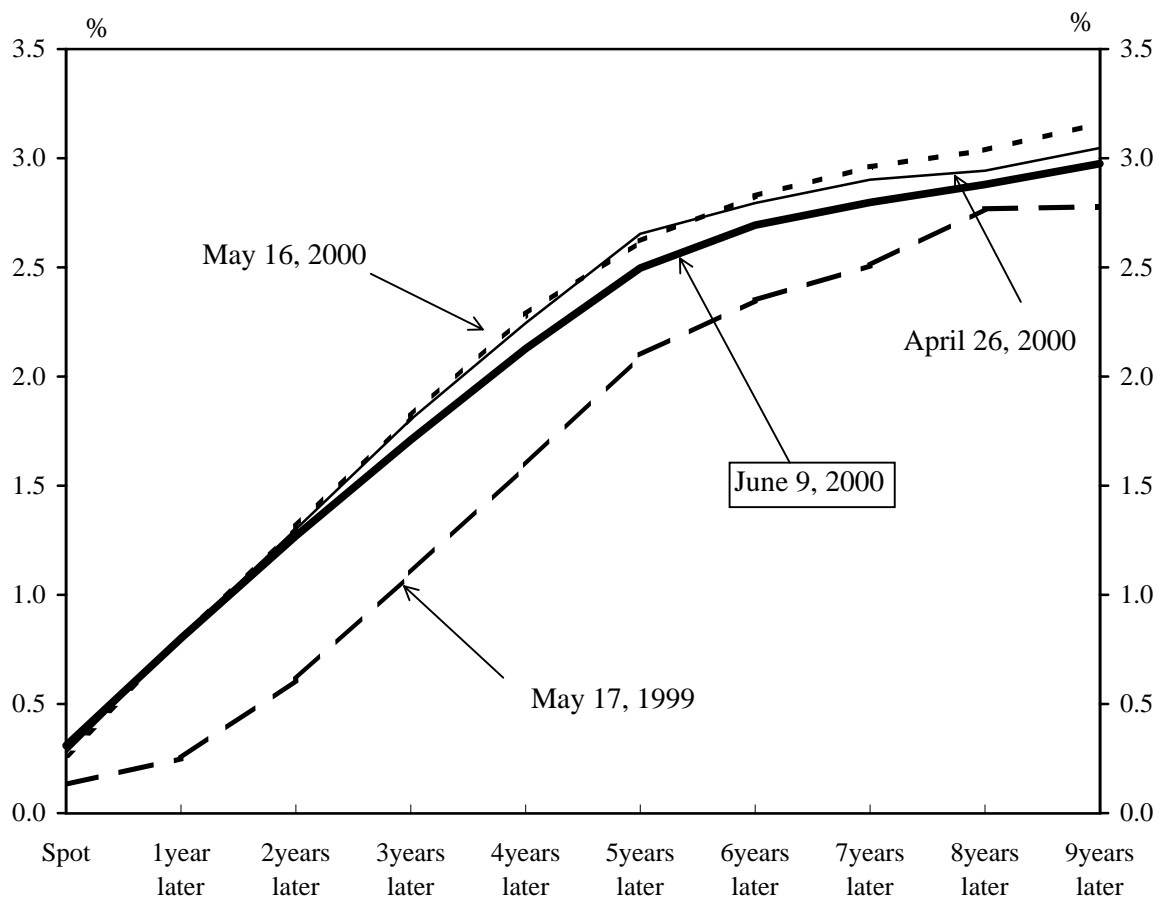


Japan Premium in the Eurodollar Market <sup>1</sup>

Note: 1. Japan premium is an extra expense Japanese banks must pay for raising funds in overseas financial markets. Japan premium in this chart is calculated as follows:  
Japan premium = interest rate quoted by Bank of Tokyo-Mitsubishi - interest rate quoted by Barclays Bank in the Eurodollar market (London).

Source: British Bankers' Association (BBA).

Implied Forward Rates (1-year)<sup>1</sup>

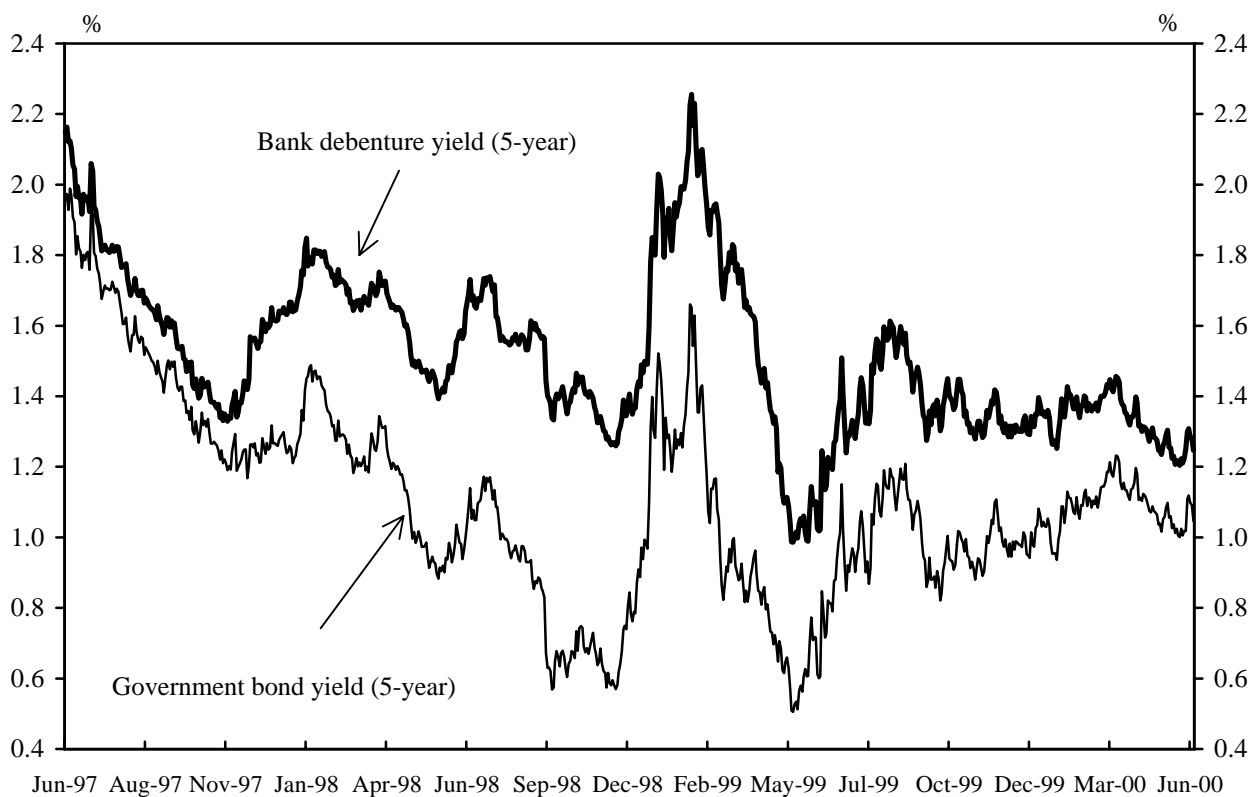


Note: 1. Calculated from yen-yen swap rates.

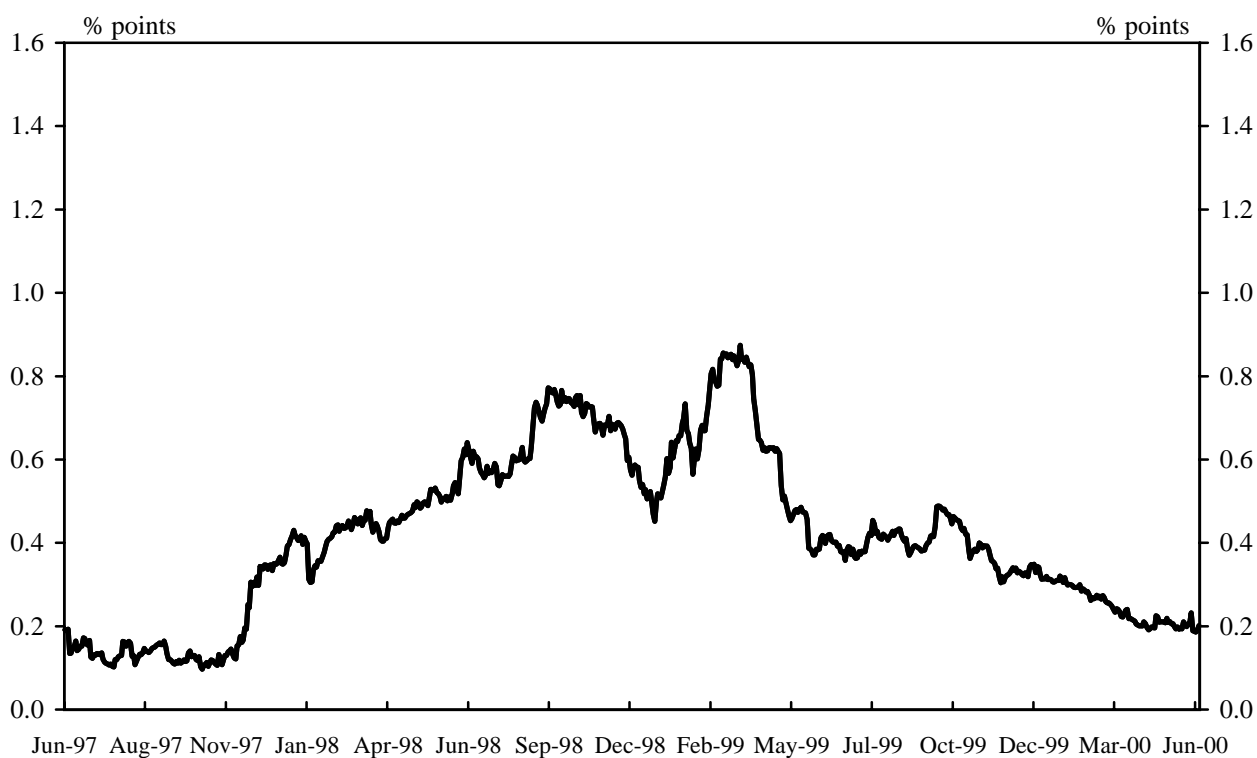
Source: Kyodo News.

Yields of Bank Debentures

(1) Bond Yields



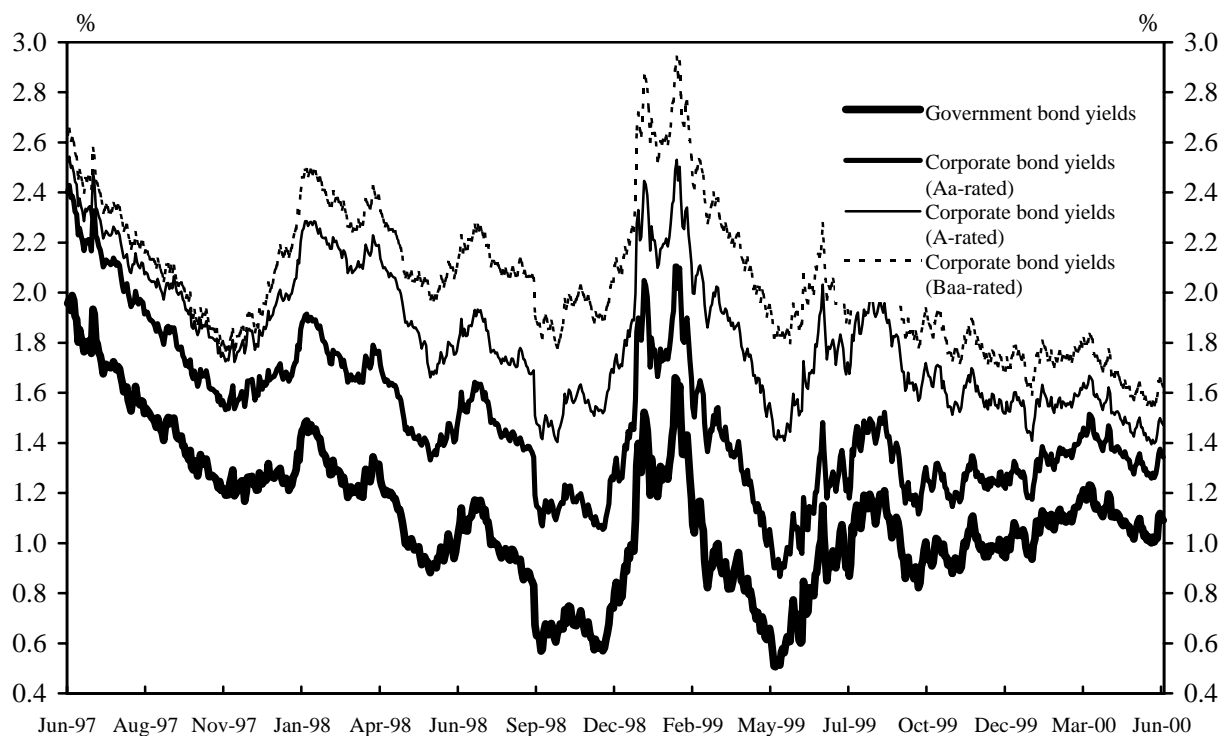
(2) Spread of Bank Debenture and Government Bond Yield



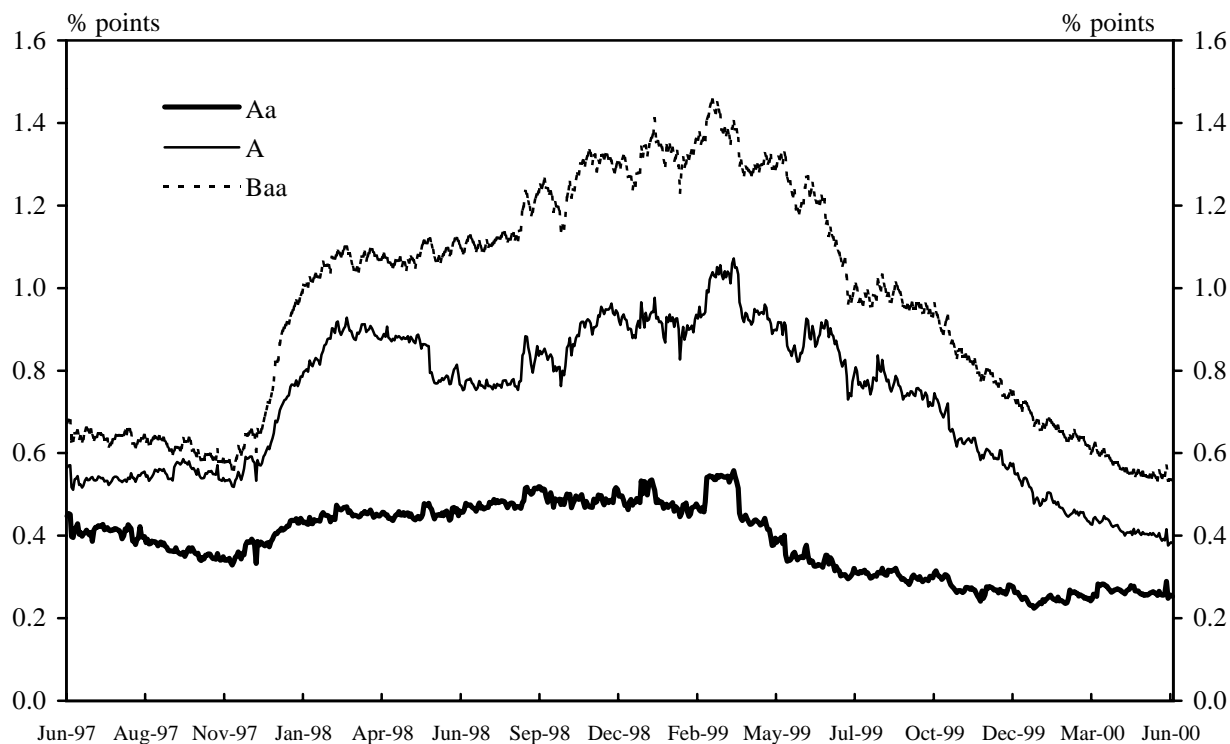
Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

Corporate Bond Yields <sup>1</sup>

(1) Yields of Government and Corporate Bonds by Rating



(2) Yield Spreads of Public and Corporate Bonds



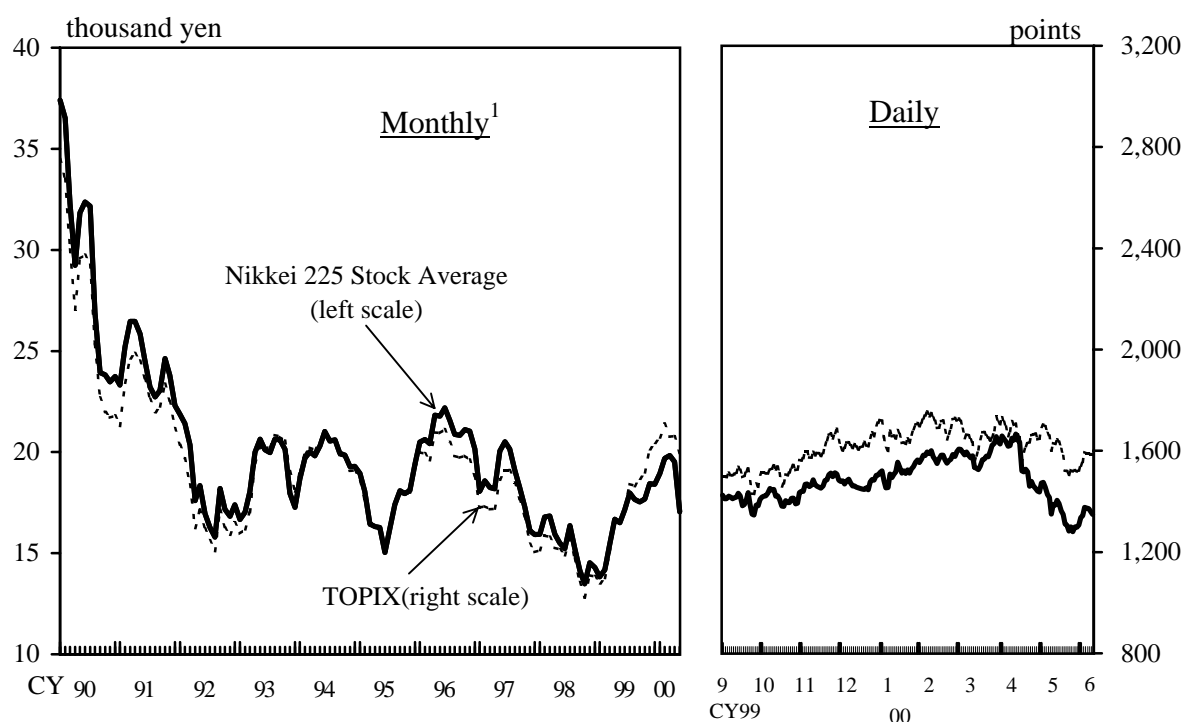
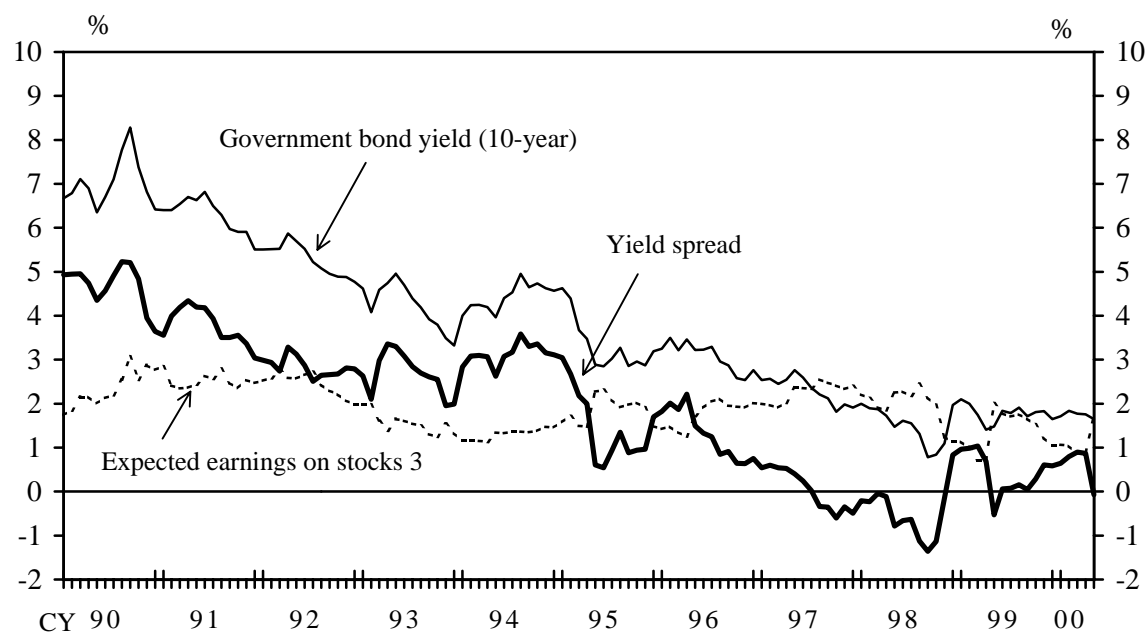
Note: 1. Yields on bonds with 5-year maturity.

The indicated ratings are of Moody's.

Source: Japan Securities Dealers Association, "Over-the-Counter Standard Bond Quotations."

## Stock Prices

## (1) Stock Prices

(2) Yield Spread<sup>2</sup>

Notes: 1. Data are monthly averages.

2. Data are at end of period.

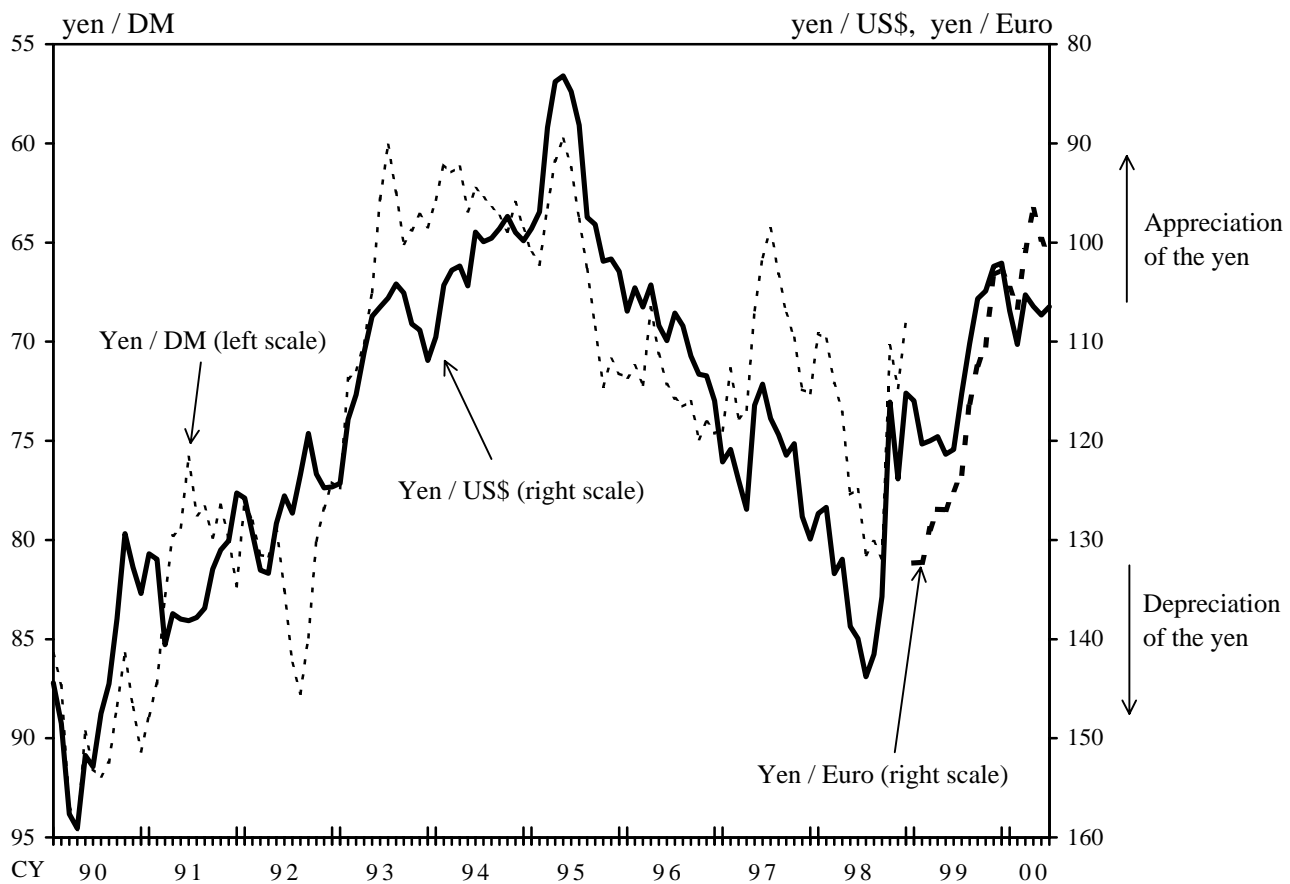
Yield spread = government bond yields - expected earnings on stocks,  
where expected earnings on stocks =  $1/\text{expected price earnings ratio}$ .

3. Based on stocks listed on the TSE First Section. Excludes bank stocks.

Data are calculated by the Daiwa Research Institute.

Sources: *The Nihon Keizai Shimbun*; Daiwa Research Institute, "*Daiwa Toushi Shiryou* (Daiwa Investment Information)."

Exchange Rates <sup>1</sup>

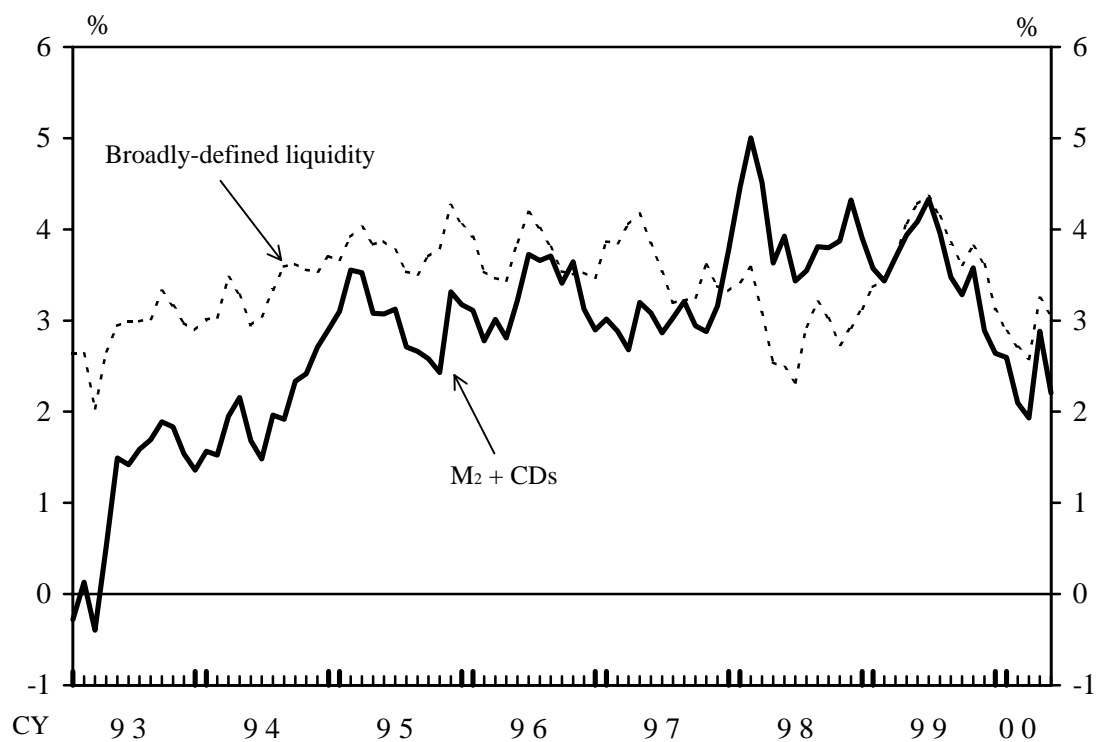


Note: 1. End of month. Data for June 2000 are as of June 9, 2000.

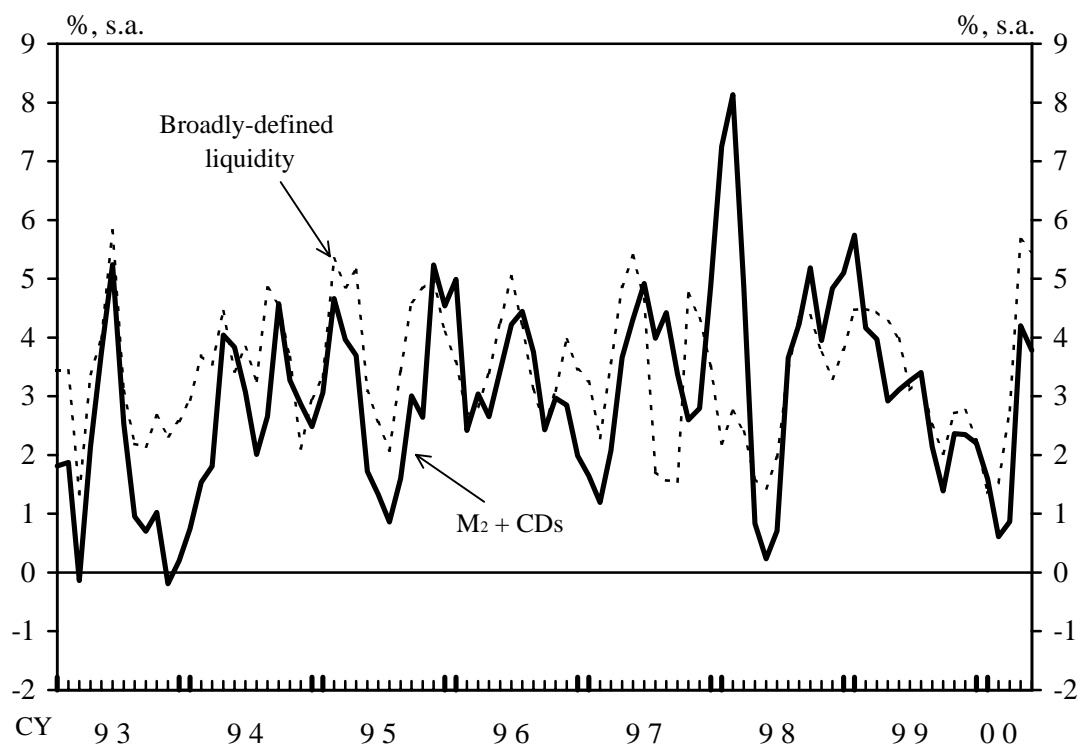
Source: Bank of Japan.

Money Stock (M2+CDs, Broadly-Defined Liquidity)<sup>1</sup>

## (1) Changes from a Year Earlier



## (2) Changes from Three Months Earlier (Annualized)

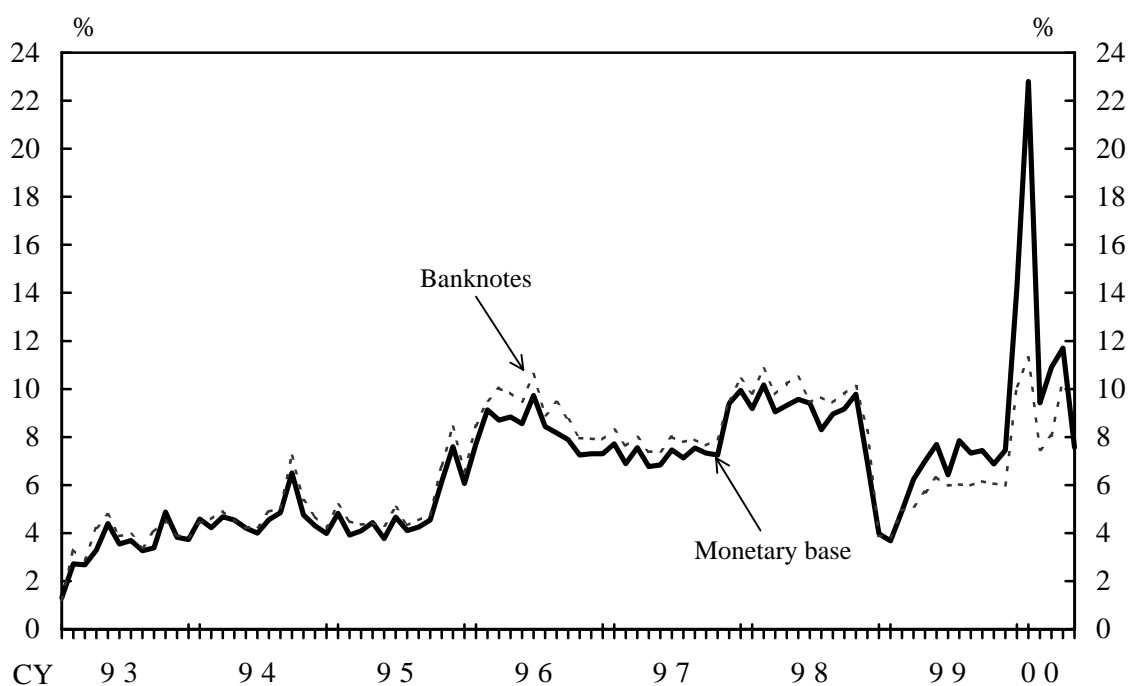


Note: 1. Percent changes in average amounts outstanding.

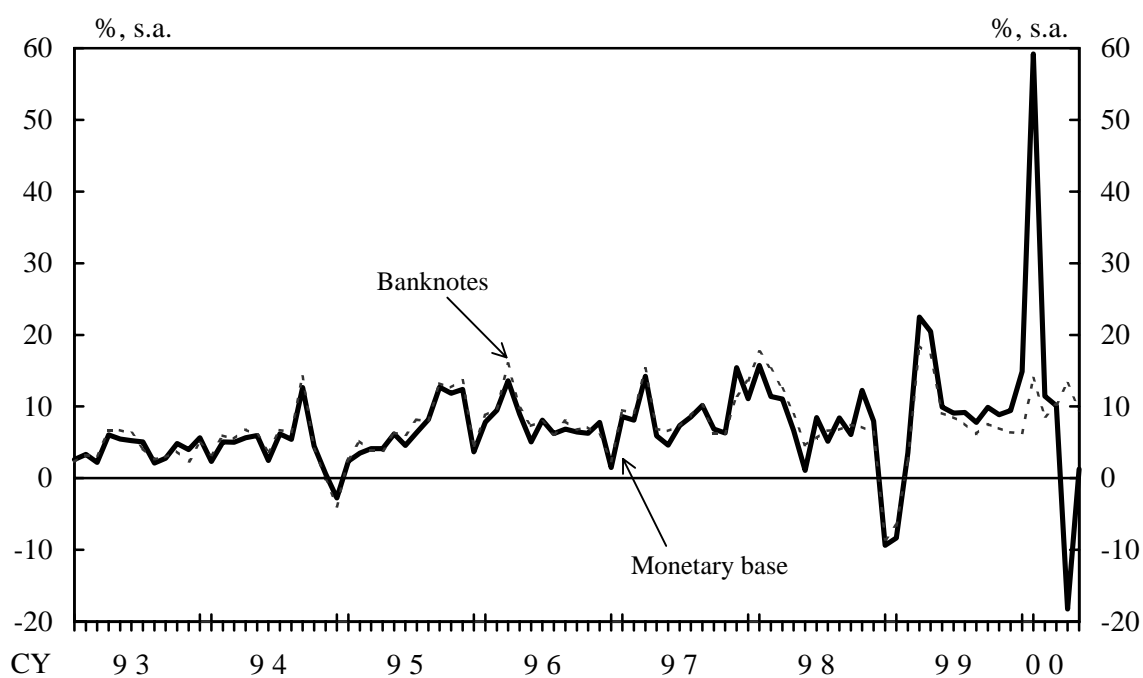
Source: Bank of Japan.

Monetary Base <sup>1</sup>

## (1) Changes from a Year Earlier



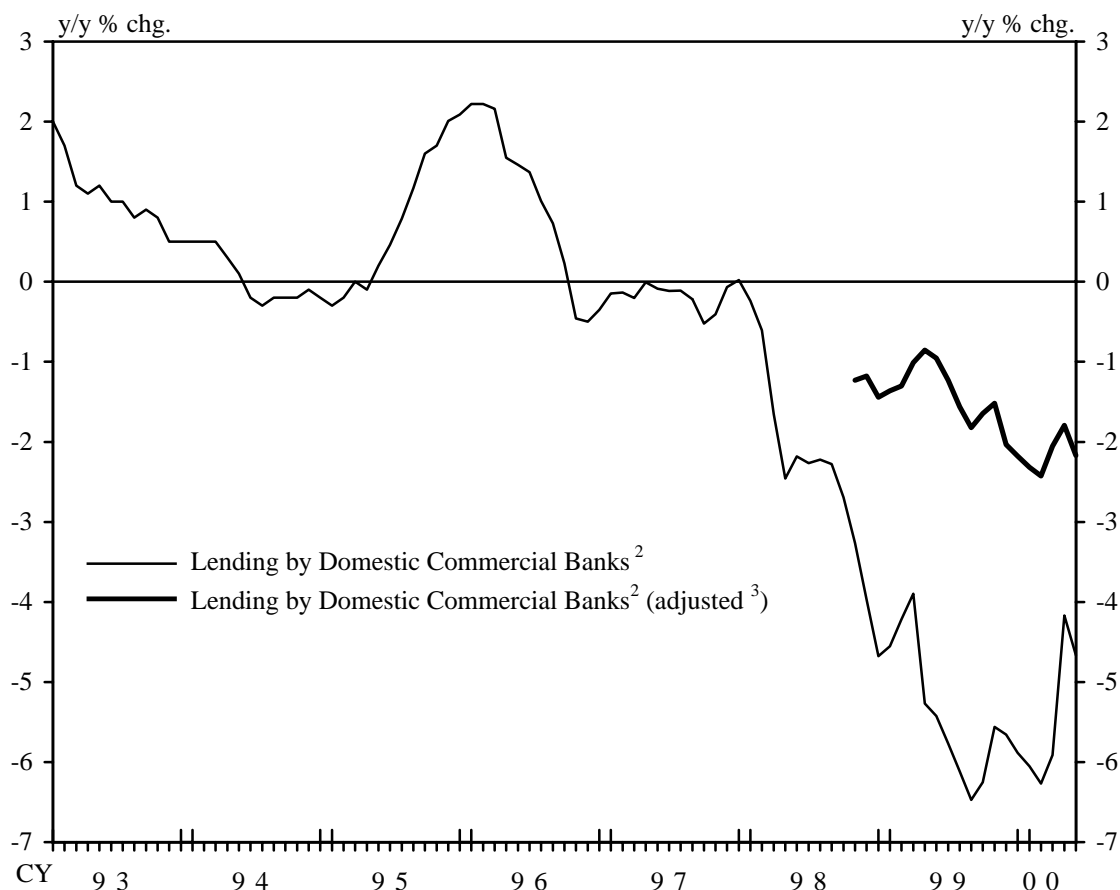
## (2) Changes from Three Months Earlier (Annualized)



Note: 1. Monetary base = currency in circulation (banknotes + coins) + current deposits at the Bank of Japan.  
 Prior to March 1997, monetary base = currency in circulation (banknotes + coins) + reserves.  
 Data for currency in circulation include holdings of financial institutions.

Source: Bank of Japan.



Lending by Domestic Commercial Banks <sup>1</sup>

Notes: 1. Percent changes in average amounts outstanding from a year earlier.

2. "Domestic commercial banks" refers to member banks of the Japanese Bankers Association, which consists of city banks, long-term credit banks, trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the member banks of the Regional Banks Association of Japan (regional banks) and the member banks of the Second Association of Regional Banks (regional banks II).

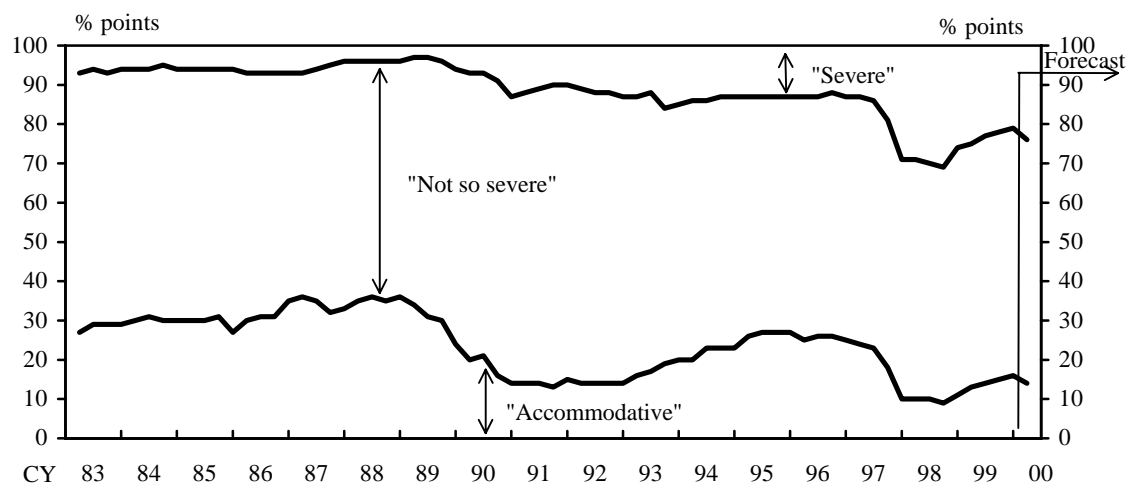
3. Adjusted to exclude

- (1) fluctuations from the liquidation of loans,
- (2) fluctuations in the yen value of foreign currency-denominated loans due to changes in exchange rates,
- (3) fluctuations from loan write-offs,
- (4) the transfer of loans to the former Japan National Railways Settlement Corporation to the General Account, and
- (5) the transfer of loans to the former Housing Loan Administration Corporation to the Resolution and Collection Corporation.

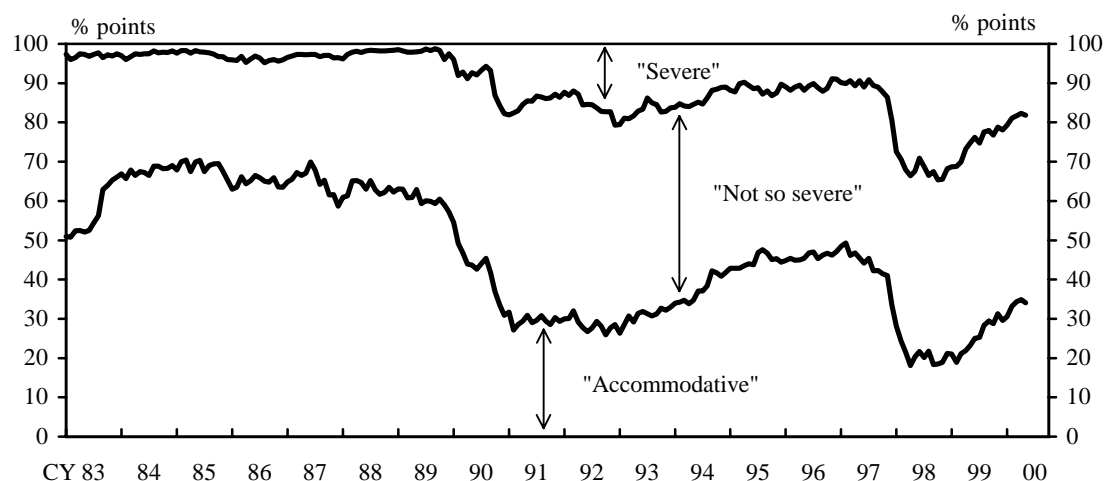
Source: Bank of Japan, "Principal Figures of Financial Institutions."

Lending Attitude of Financial Institutions as Perceived by Small Enterprises

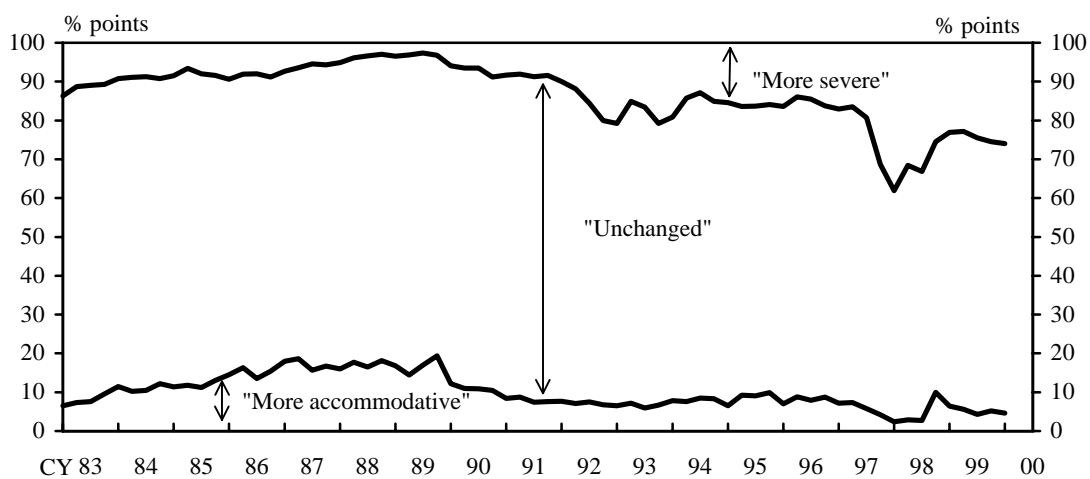
(1) "Tankan - Short-Term Economic Survey of Enterprises in Japan" (March, 2000)



(2) "Monthly Survey on Trends of Small Businesses" (Mid-May, 2000)

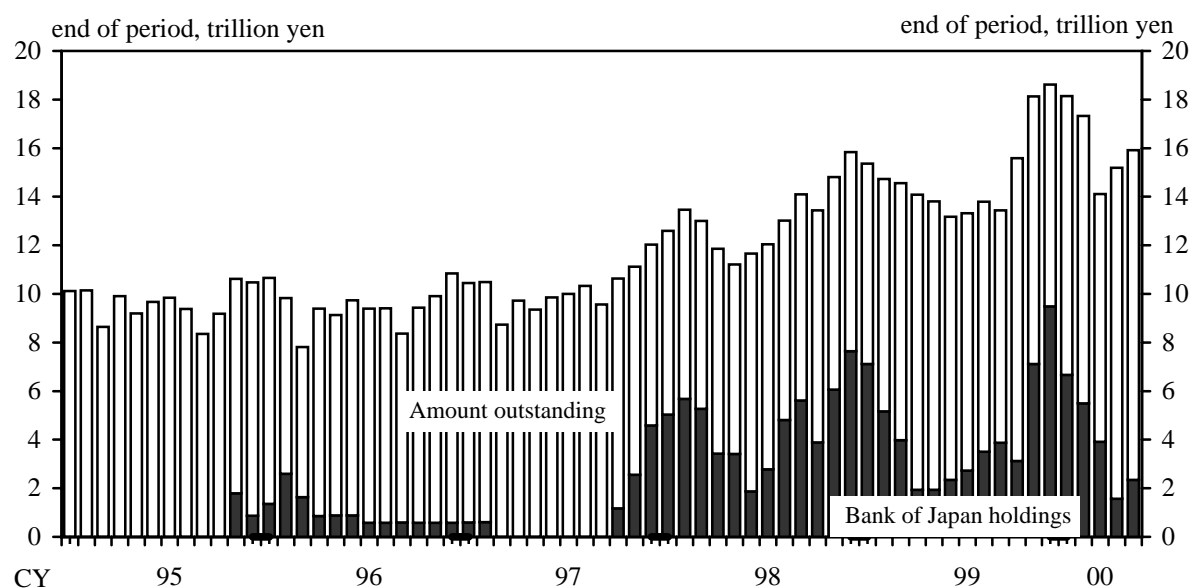


(3) "Quarterly Survey of Small Businesses in Japan" (Mid-March, 2000)



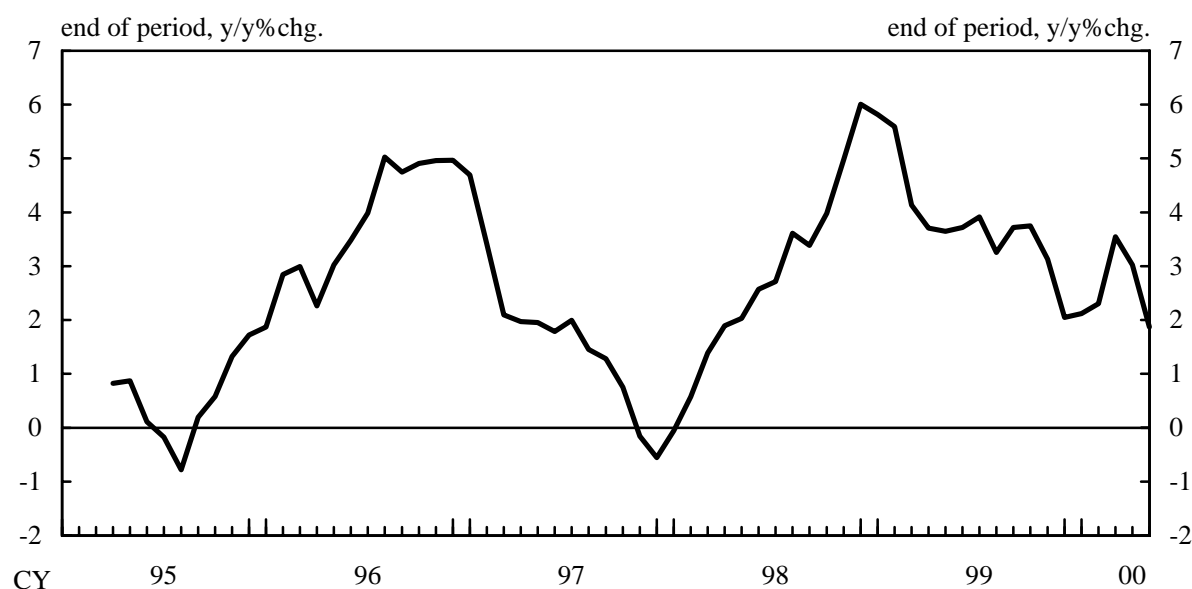
Sources: Bank of Japan, "Tankan - Short-Term Economic Survey of Enterprises in Japan" ;  
 Japan Finance Corporation for Small Business, "Monthly Survey on Trends of Small Businesses";  
 National Life Finance Corporation, "Quarterly Survey of Small Businesses in Japan."

## Private-Sector Fund Raising in the Capital Markets

(1) Amount Outstanding of Commercial Paper<sup>1</sup>(2) Issue Volume of Corporate Bonds<sup>2</sup>

(100 million yen)

	Dec, 1999	Jan, 2000	Feb, 2000	Mar, 2000	Apr, 2000	May, 2000
Volume	7,023	3,056	11,765	7,661	4,883	4,031
(last year)	(14,764)	(4,909)	(10,706)	(11,556)	(8,807)	(10,688)

(3) Amount Outstanding of Corporate Bonds (Changes from a Year Earlier)<sup>2,3</sup>

Notes: 1. Figures are those of the client financial institutions of the Bank of Japan.

Excludes those issued by banks.

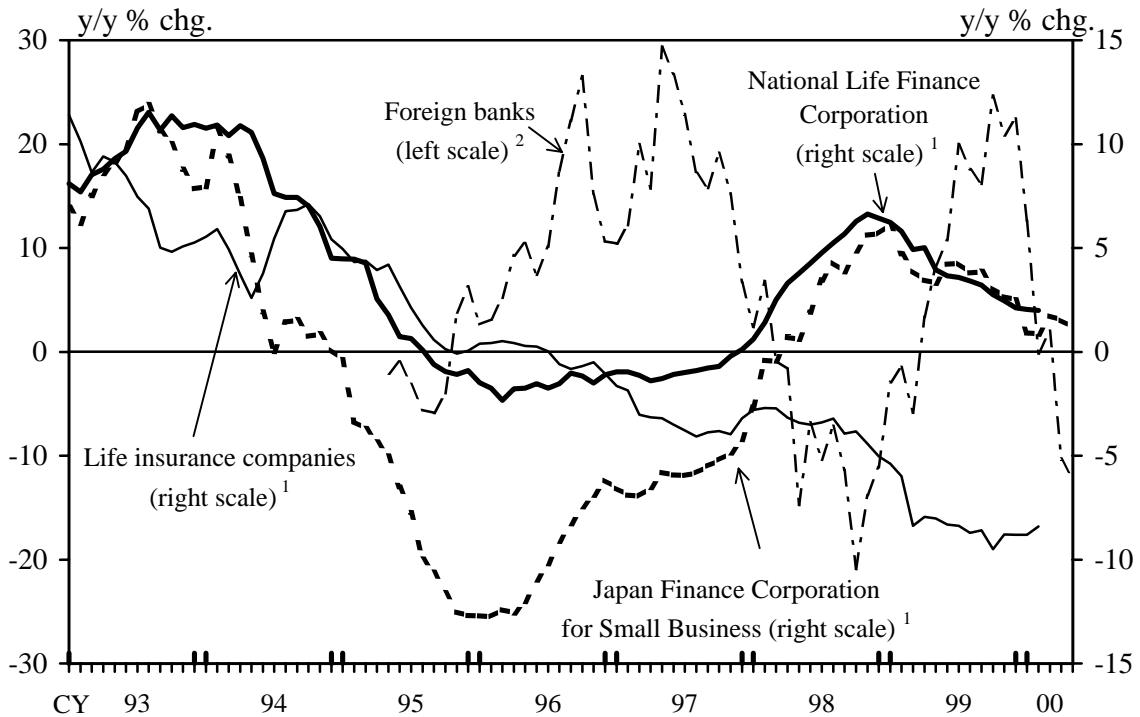
2. Includes straight bonds, convertible bonds, and bonds with warrants.

3. Estimated by the Bank of Japan.

Sources: Bank of Japan, "Principal Figures of Financial Institutions"; Japan Securities Dealers Association, "Bond Review"; IN Information Center, "Funding Eye."

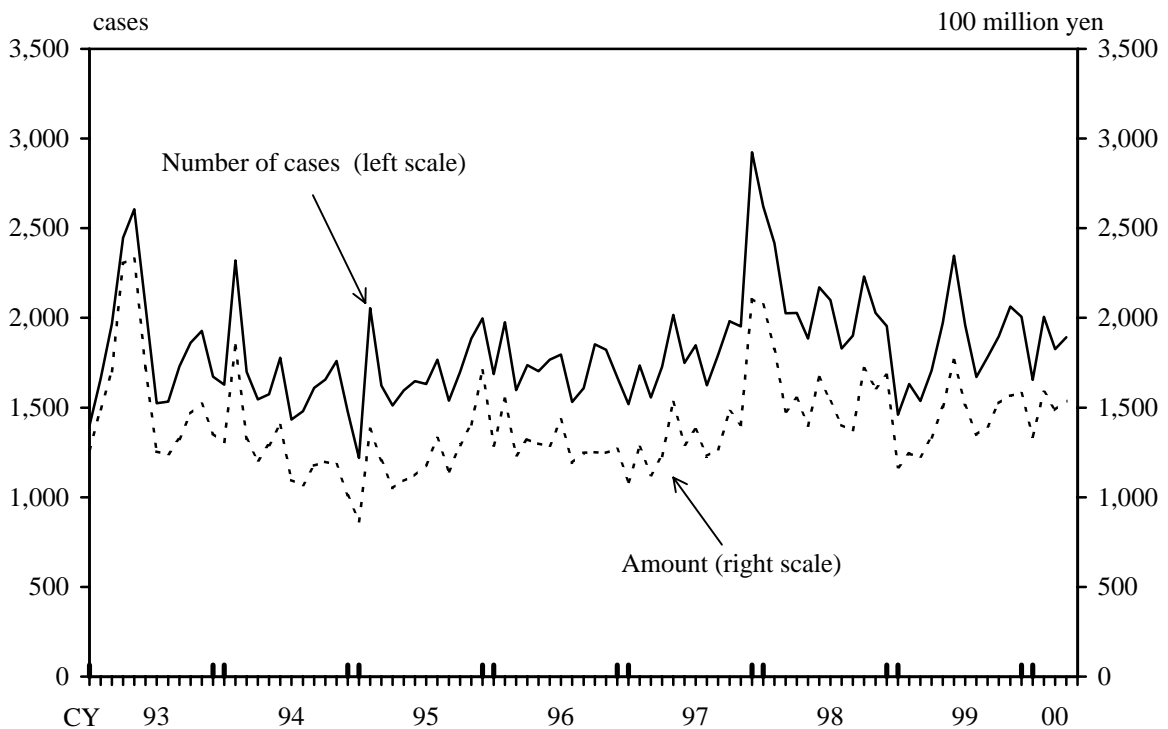
Lending by Other Financial Institutions

(1) Lending Outstanding



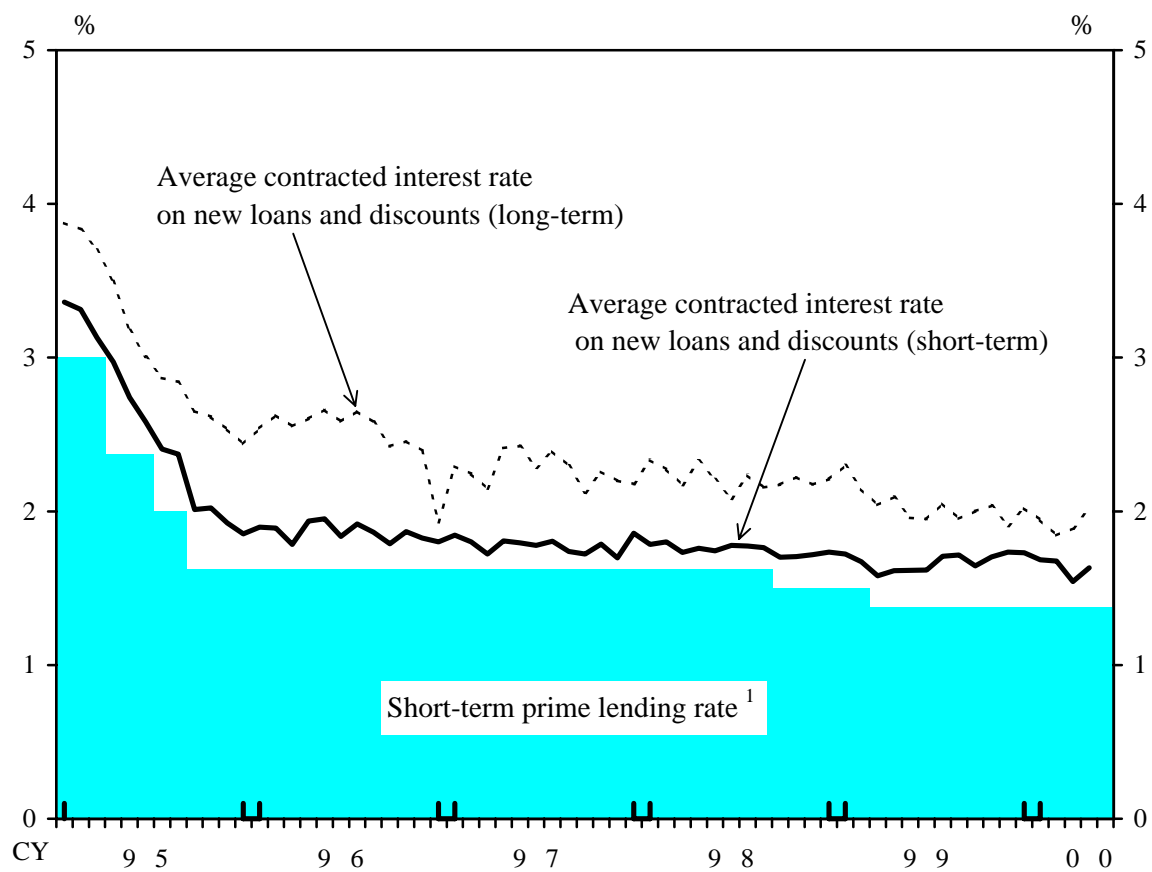
Notes: 1. Data are based on amounts outstanding at end of period.  
 2. Data are based on average amounts outstanding.

(2) Application for a Loan from Japan Finance Corporation for Small Business



Sources: Bank of Japan, "Financial and Economic Statistics Monthly"; Japan Finance Corporation for Small Business, "Gyoumu Gaikyo (Business Outline)."

Lending Rates

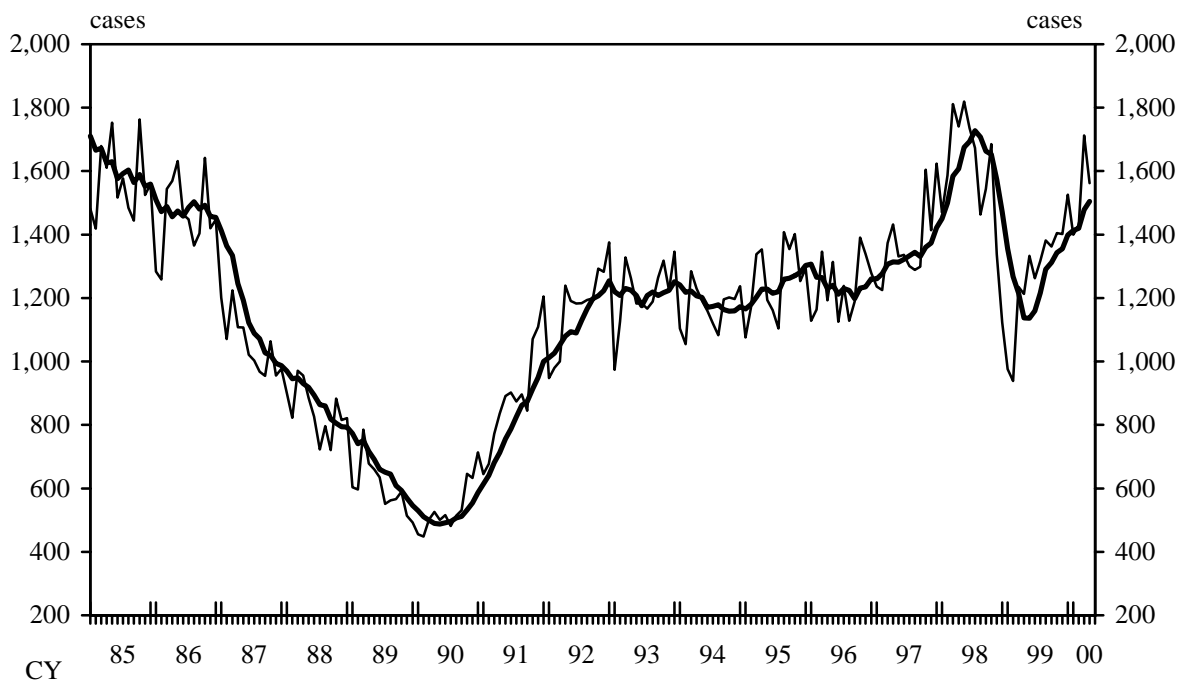


Note: 1. Data are at end of period.

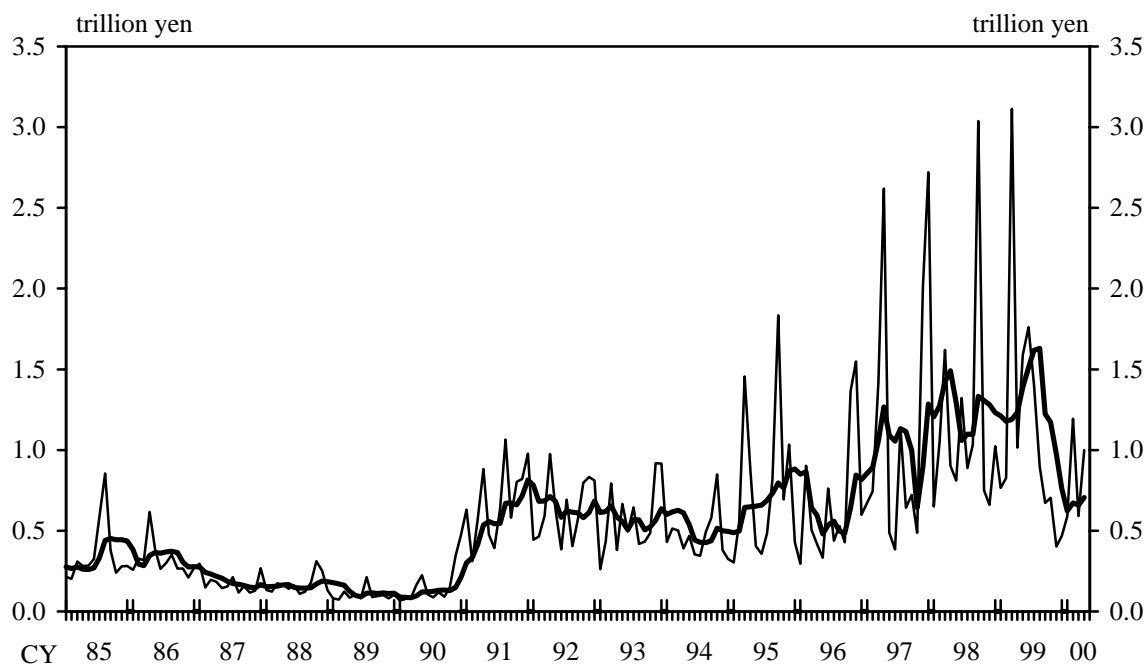
Source: Bank of Japan.

Corporate Bankruptcies <sup>1</sup>

(1) Number of Cases



(2) Amount of Liabilities



Note: 1. The bold line is the six-month moving average.

Source: Tokyo Shoko Research Ltd., "Tosan Geppo (Monthly Review of Corporate Bankruptcies)."